

# 2008 Annual Report



Esso (Thailand) Public Company Limited

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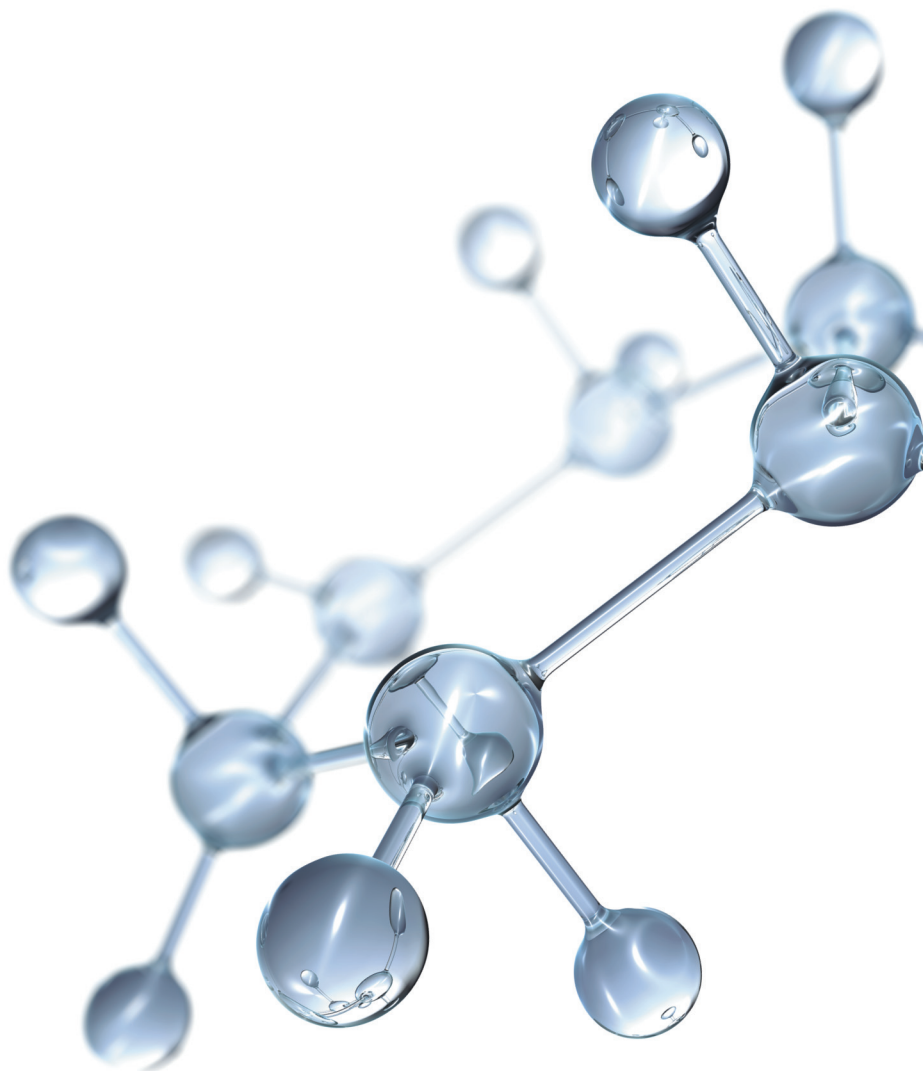
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The term "ExxonMobil" refers to any one or more of Exxon Mobil Corporation and/or any of its subsidiaries or affiliates, as the context may require. "We", "our", "us" , and the "Company" refers to Esso (Thailand) Public Company Limited , a public company with limited liability registered in the Kingdom of Thailand and its consolidated subsidiaries.

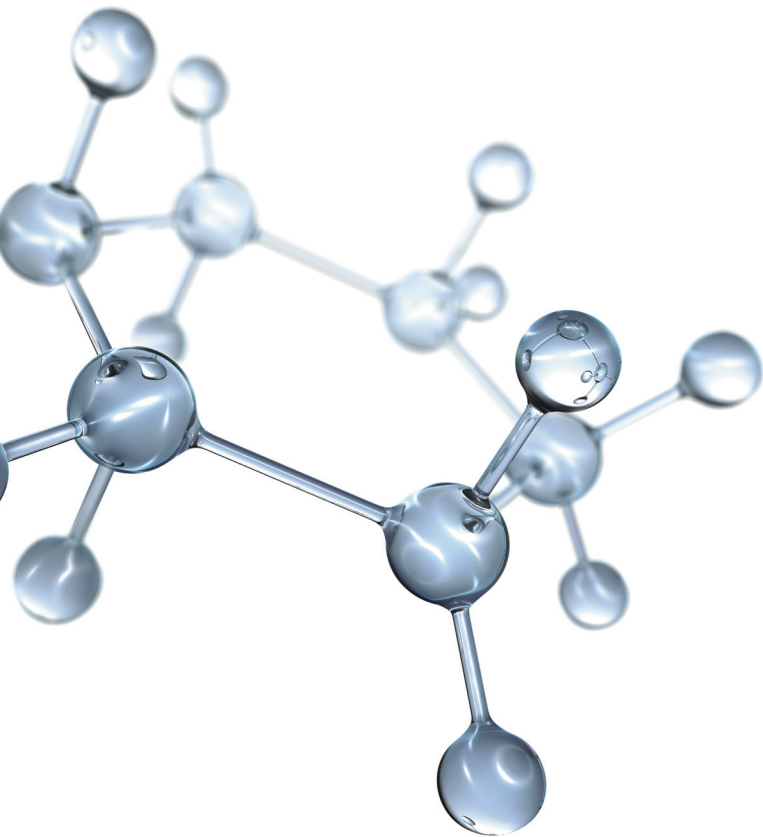
## Meeting today's energy challenges

Flawless execution, world class technology, disciplined investment practices and dedicated employees enable Esso to meet the challenges of the business cycle.

Esso is proud of its 114 years of history in Thailand and is well positioned to meet tomorrow's energy challenges.



# message from the chairman



## To Our Shareholders

### Business Performance

2008 was an eventful year for Esso. Early in the year we executed an IPO which increased our capital by Baht 8.2 billion. We also paid Baht 5.2 billion in dividends over the course of the year. Both oil prices and industry profitability were very volatile in 2008. While profitability was strong in the first half of the year, we incurred losses in the second half of the year. For the year as a whole, we incurred a loss of Baht 6.9 billion resulting mainly from negative gross refining margins associated with large stock losses as oil prices declined sharply over the second half of the year. We also saw lower crude runs and paraxylene production driven by our economic optimizations in response to market conditions. Nonetheless, over the course of the year we generated cash from operations of Baht 5.4 billion. Debt levels were reduced over the year from Baht 34.7 billion to Baht 28 billion and we experience markedly lower financing costs in 2008 versus 2007.

Crude throughput at the refinery averaged 138 thousand barrels a day. While we cannot control margin fluctuations which are driven by overall industry trends, we continued our efforts to enhance margins by maximizing production of higher value products and minimizing raw material costs. We continued our focus on running challenged feedstocks to reduce raw materials costs. Other self-help measures and initiatives were undertaken during the year particularly in relation to new emerging crude processing opportunities, new technology to de-bottleneck profitable units and energy efficiency.

Competition remained intense in the retail business. We continued our strategy of keeping pace with the industry while optimizing our retail network and maintained our position as the second largest fuels retailer in Thailand. Competitive retail promotional programs were conducted during the year to improve our engagement with customers. We also continued to develop our relationships with our alliance partners. Mobil 1, our flagship lubricant brand, is the world's leading synthetic motor oil. In 2008, we opened 8 Mobil 1 Center sites which provide high-standard lube change service to customers and we plan to expand this service in the coming years.

### A Company that Earns Trust

At Esso, we manage our operations to meet our responsibilities to all our stakeholders, including shareholders, customers, employees and communities.

Safety, health and the environment are the highest priority in Esso's business activities. A basic principle in executing our business is to constantly work to maintain and improve upon performance in these areas.

In addition, in our basic code of ethics, we express our commitment to comply with all laws and regulations that apply to our business activities. Because we recognize the importance of making sure every decision and business process conforms to this philosophy, we periodically review our policies and expectations on business practices with our employees, and all employees confirm compliance on an annual basis. In terms of corporate governance, our practices are transparent and in line with the principles prescribed by the regulations of the Stock Exchange of Thailand.

We strive to make a positive and lasting impact on the communities in which we operate and are proud of our numerous contributions and support of local communities and the country at large. Esso is grateful for being bestowed the Royal Garuda symbol by His Majesty the King in 1998, in recognition of good service to the nation.

### Our Consistent Business Approach

2008 marks the 114th year that we, and our predecessor companies, have operated in the petroleum business in Thailand. We are proud of our long history of helping to meet the country's energy needs and of serving our customers with dependable, high-quality products. One of our greatest strengths is our consistent approach to the business, focusing on what we can control. We operate in a safe and environmentally responsible manner, uphold high standards, invest with discipline, pursue operational excellence, optimize results through integration and use technology to improve our operations

### Growth in Shareholder Value over the Long Term

We believe that our business model, consistently applied over the long term, can help us generate strong cash flows allowing us to provide attractive distributions to shareholders over time. Our commitment to shareholder distributions was demonstrated by dividend payments totaling 1.5 Baht per share in 2008.

On behalf of the Board, I would like to thank our employees for their continued hard work and dedication. The petroleum and chemical business remains challenging and the Company's success is highly dependent on the skills, abilities and commitment of each employee to overcome these challenges. I also express my appreciation to our shareholders, dealers and customers for their continued support of Esso (Thailand) Public Company Limited.



Mr. Daniel E Lyons  
Chairman and Managing Director  
Esso (Thailand) Public Company Limited

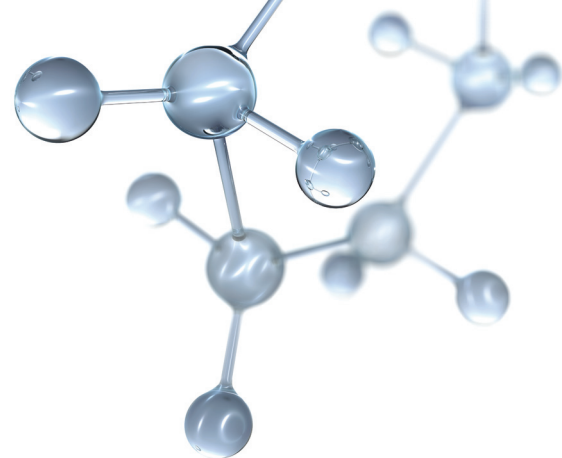
| General Information

| Our Business

| Risk Factors



# general information

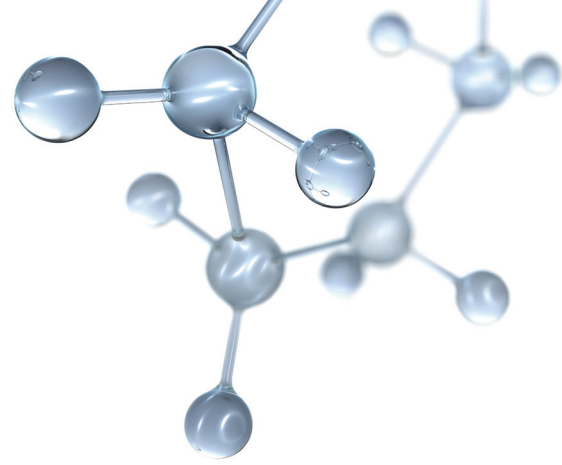


## Company information:

Company Name	Eso (Thailand) Public Company Limited
Symbol	ESSO
Registration Number	0107539000073
Business	Integrated petroleum refining, petrochemical, and marketing
Registered Share Capital	Baht 17,110,007,246.71 Comprising 3,467,916,666 common shares of Baht 4.9338 per share
Paid-up Share Capital	Baht 17,075,181,200.40 Comprising 3,460,858,000 common shares of Baht 4.9338 per share
Head Office	3195/17-29 Rama IV Road, Klong Ton Klong Toey District, Bangkok 10110 Telephone: 02 262-4000
Website	<a href="http://www.esso.co.th">www.esso.co.th</a>
Investor Relations	Telephone: 02 262-4788 E-mail: <a href="mailto:essolr@exxonmobil.com">essolr@exxonmobil.com</a>

## References:

Securities Registrar	Thailand Securities Depository Company Limited The Stock Exchange of Thailand Building, 62 Ratchadapisek Road, Klong Toey District, Bangkok 10110 Telephone: 02 229-2888 (Call Center)
Auditor	PricewaterhouseCoopers ABAS Limited 15th Floor, Bangkok City Tower, 179/74-80 South Sathorn Road, Bangkok 10120 Telephone: 02 344-1000



# our business

The Company is an affiliate of Exxon Mobil Corporation, an industry leader in the global energy business. We and our predecessors have together operated businesses in Thailand for over 100 years.

We subscribe to ExxonMobil's highly disciplined business approach with a focus on long-term fundamentals and growing shareholder value. Additional benefits of being a majority owned ExxonMobil affiliate include access to expertise in crude oil and raw material procurement services, a global sales network for refined petroleum products and chemicals, advanced technological, operational and engineering services, and ExxonMobil's research and development programs. We also benefit from the use of Esso and other ExxonMobil trademarks licensed from ExxonMobil, the availability of ExxonMobil and affiliated management and technical personnel and corporate support services provided by ExxonMobil.

We are an integrated petroleum refining, petrochemical and marketing company with the following key businesses:

- A complex refinery with a maximum rated capacity (based on stream days) of 177,000 barrels per day
- An aromatics plant with a capacity of 500,000 tons per annum of paraxylene
- A solvent production unit with a capacity of 50,000 tons per annum
- Extensive network of Esso branded retail service stations throughout Thailand
- Direct commercial sales of petroleum products in the industrial, wholesale, aviation and marine sectors comprising LPG, gasoline, jet fuel/kerosene, diesel, fuel oil and asphalt, and also lubricants
- Sales of aromatics and other chemical products

Our refinery configuration incorporates ExxonMobil's unique proprietary technologies that provide us with significant flexibility to handle a wide range of crude oils and to produce a high proportion of high-value products such as LPG, gasoline, diesel, and jet fuel. Our refinery is strategically located near the Laem Chabang deep sea port in Sriracha, Chonburi province. The site benefits from its ready access to a deep sea port, road networks, and a multi-product transmission pipeline that allows the flexibility to deliver our refined petroleum products via pipeline in addition to trucks and marine transportation.

Our aromatics production is fully integrated with our refinery operations. We produce aromatics primarily in the form of paraxylene which is used to make purified terephthalic acid (PTA), the raw material for producing polyester film, packaging resin and fabrics. Our other chemical products include solvents and plasticizers.





**Revenue Structure :** Our sales revenue in downstream and petrochemical segments can be broken down as follows:

	2008		2007	
	Million Baht	%	Million Baht	%
<b>A. Net Sales</b>				
Downstream segment:				
Refined petroleum products	196,079	88.3	172,775	86.4
Lubricants	3,286	1.5	3,459	1.7
Others (1)	3,809	1.7	4,388	2.3
Services (2)	517	0.2	476	0.2
<b>Total Downstream segment</b>	<b>203,691</b>	<b>91.7</b>	<b>181,098</b>	<b>90.6</b>
Petrochemical segment:				
Paraxylene	11,988	5.4	15,999	8.0
Others (3)	6,555	2.9	2,807	1.4
<b>Total Petrochemical segment</b>	<b>18,543</b>	<b>8.3</b>	<b>18,806</b>	<b>9.4</b>
<b>Total Sales revenue</b>	<b>222,234</b>	<b>100.0</b>	<b>199,904</b>	<b>100.0</b>

(1) *Mainly sales of crude oil which we purchased from an affiliate but decided not to use and therefore resold to another affiliate before processing. It also includes goods sold at convenience stores.*

(2) *Mainly franchise fees from dealers, product handling and storage fees from aviation customers, and rental income from Tesco*

(3) *Mainly sales of benzene, solvents, plasticizers, and other chemicals*

**Number of employees and personnel as of December 31, 2008:**

Corporate	Refining & Distribution (1)	Retail & Lubricants (2)	Chemicals	Total
9	514	120	16	659

(1) *Includes engineers, technical staff and operators at the refinery, also commercial and export sales personnel*

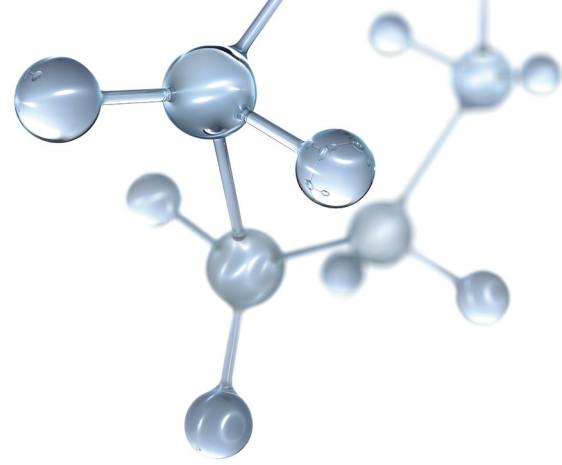
(2) *Includes retail and lubricant sales personnel*

Subsidiaries, Associated and Related Companies:

Company Name and address	Business	Registered Capital (Baht)	Shareholding
<b>Mobil Enterprises (Thailand) Limited (METL)</b> 3195/17-29 Rama IV Road, Klong Ton, Klong Toey District, Bangkok 10110 Telephone: 02 262-4000	Currently dormant	3,333,000	100%
<b>Industry Promotion Enterprises Limited (IPEL)</b> 3195/26 Rama IV Road, Klong Ton, Klong Toey District, Bangkok 10110 Telephone: 02 262-4000	Real estate leasing	3,333,400	30%
<b>United Industry Development Company Limited (UIDC)</b> 3195/27 Rama IV Road, Klong Ton, Klong Toey District, Bangkok 10110 Telephone: 02 262-4000	Real estate leasing	10,000,000	49%
<b>Pacesetter Enterprise Limited (PSE)</b> 3195/27 Rama IV Road, Klong Ton Klong Toey District, Bangkok 10110 Telephone: 02 262-4000	Real estate leasing	10,000,000	33% (1)
<b>Thai C-Center Company Limited (TCC)</b> 3195/21 Rama IV Road, Klong Ton Klong Toey District, Bangkok 10110 Telephone: 02 262-4000	Service station and convenience store operation	50,000,000	0% (2)
<b>Thai Petroleum Pipeline Company Limited (THAPPLINE)</b> 2/8 Moo 11, Lumlukka Road, Ladsawai, Lumlukka, Pathumthani 12150 Telephone: 02 991-9130	Petroleum products pipeline transportation	8,479,000,000	21%
<b>Bangkok Aviation Fuels Services Public Company Limited (BAFS)</b> 171/2 Moo 10, Vibhavadi Rangsit Road, Sikan, DonMuang, Bangkok 10210 Telephone: 02 834-8900	Aircraft refuelling services	509,998,044	7%

(1) The remaining shares are held by UIDC and IPEL.

(2) Company does not directly hold shares in TCC. All of TCC's issued shares are held by UIDC.



# risk factors

The Company acknowledges the existence of a number of risks that could affect its operations as described below. All of these could materially adversely affect its business, financial condition, cash flow or results of operations and prospects.

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## 1. Risk from market prices for crude oil and other feedstocks, refined petroleum products and aromatics and other chemical products

The prices at which we purchase our raw materials and the prices that we charge for our products are set based on market prices. These market prices are volatile and are subject to a variety of factors that are beyond our control.

Although increases or decreases in the price of raw materials may result in corresponding increases or decreases in the price of refined petroleum and petrochemical products, there can be no assurance that such prices will correspond in the same proportion, or at all. Any inability to pass on increases in the market price of raw materials to our customers may affect our business.

Any increase in the price of crude oil also increases our short-term financing needs. Although we have not recently experienced difficulties in securing trade financing, any such difficulties in securing trade financing on favorable terms may adversely affect our business.

## 2. Risk from fluctuations in the value of the Baht against foreign currencies

We are exposed to changes in exchange rates for commercial sales and purchases denominated in foreign currency. And since our Baht denominated domestic sales are also linked to the US dollar-based regional refined product prices, the fluctuations in the value of the Baht against the US dollar also affect our business. If the US dollar appreciates significantly, we may not be able to pass on higher cost to customers. Conversely, a decline in the value of US dollar against the Baht could have a negative effect on revenue reported in Baht, which may impact our ability to repay our Baht denominated debt.

## 3. Risk of loss from business operations

Our operations are subject to hazards and risks inherent in refining, transporting, and storing crude and products such as fires, explosions, leaks, spills, mechanical failure of equipment, and natural disasters. Many of these risks may cause personal injury or loss of life, severe damage to or destruction of our properties and the properties of others and environmental pollution, and may result in suspension of operations and the imposition of civil or criminal penalties.

We do not carry business interruption insurance and our insurance policies may not adequately cover large losses resulting from severe damaged facilities. Our business, financial condition, cash flow or results of operations and prospects may be materially adversely affected by such losses. In addition, our insurance policies do not cover any penalties or fines or other payments to the Thai government as a result of any of these risks.

## 4. Risk from government intervention in pricing decisions and other government laws and regulations

We and other petroleum companies in Thailand operate in a heavily regulated environment under the supervision of the Government. Our business could be directly affected by Government policy and regulations or any changes thereof. In particular, the Government may intervene in pricing decisions of refineries and retailers in order to pursue Thailand's macroeconomic and social objectives.

Moreover, our ability to operate our business in Thailand is subject to the Government issuing us a factory operating permit which is renewed every five years. If this permit is not renewed or cancelled for any reason, we may not be able to continue operating the refinery.

## 5. Risk from changes in environmental laws and regulations

We are subject to extensive and increasingly stringent environmental laws, regulations and standards such as those relating to air emissions, accidental spills, discharges of hazardous materials or other pollutants into the environment. Some of these laws and regulations require our production facilities to operate under permits that are subject to renewal or modification. A violation of these laws, regulations or permit conditions can result in substantial fines and forced facility shutdowns.

New environmental laws and regulations, new interpretation of existing laws, increased governmental requirements or other developments in the future may require additional investment or cause us to incur additional operating expenses in order to maintain our current operations, or curtail our production activities, or require us to take other actions that could have a material adverse effect on our financial condition, results of operations and cash flow. For example, the Government has promulgated new standards for fuels that require lower sulfur and benzene levels in gasoline and lower sulfur levels in diesel fuel which must be met by January 1, 2012. We are currently evaluating our options with respect to the new fuels specification. In order to continue selling our gasoline and diesel fuel production in the domestic market, we will likely need to make a substantial capital investment prior to January 1, 2012.

Furthermore, new environmental standards or requirements may be imposed without adequate notice for compliance. We may not be able to obtain waivers or temporary dispensations if we are unable to meet the deadlines and in such circumstances, we may need to shut down or curtail affected operations.



## 6. Risk from a significant interruption in the operations of our refinery and aromatics plant

Various components of our production facilities are shut down for routine maintenance from time to time. Any prolonged shutdown, unscheduled shutdown because of mechanical and equipment failure, or significant interruption to our operations as a result of industrial accidents or natural disasters would affect our production volumes and could materially and adversely impact our business, financial condition, results of operations and prospects.

## 7. Our leverage may limit our financial flexibility

Our proportion of financial debt to total equity as of December 31, 2008 was 1.4 . We may incur additional indebtedness in the future although our ability to do so may be restricted by existing bank credit facilities. The level of our indebtedness will have several important effects on our future operations.

Our ability to meet our debt service obligations and to reduce our total indebtedness is dependent upon our future performance which is subject to general economic conditions and several factors which are beyond our control. We cannot assure that our business will continue to generate sufficient cash flow from operations to service our indebtedness. If we are unable to do so, we may be required to sell assets, to refinance, or to obtain additional financing. Such refinancing may not be possible and additional financing may not be available on commercially acceptable terms or at all.

Some of our bank credit facilities impose financial and other restrictions on us. Failure to comply with such restrictions may result in a debt default and could lead to acceleration of payment of such debt or any instruments evidencing indebtedness that contain cross-acceleration or cross-default provisions. In such event, we may not be able to refinance or otherwise repay such indebtedness.



### 8. Risk of interest rate fluctuations

Our debts are mostly pegged to floating rates which may fluctuate from time to time depending on market conditions. If the borrowing costs are substantially increased because of increased interest rates, our business may be affected.

### 9. Risk of current and future litigation

We are defendants in a variety of cases in the ordinary course of business. In one case, we have an outstanding judgment against us for Baht 436 Million for alleged underpayment of custom duties. We have filed an appeal to the Supreme Court against the judgment.

While we continue to believe strongly in the merits of our appeal, we cannot provide any assurance that we will be successful in the appeal.

Any significant new litigation with an unfavorable outcome could have a material adverse effect on our business, cash flow, financial condition, results of operations and prospects.



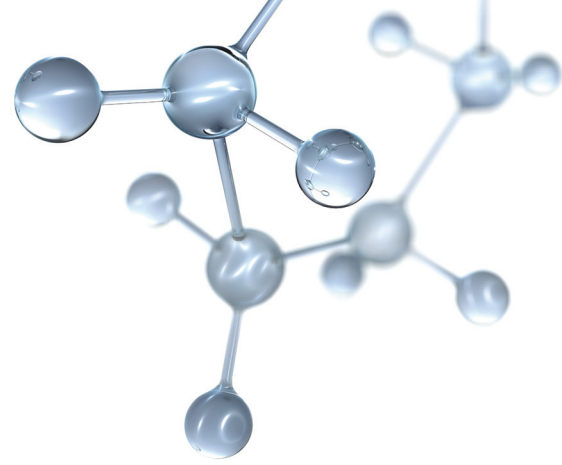
### 10. Dependence on Exxon Mobil Corporation and/or its affiliates for numerous support services and senior staff

We are highly dependent on Exxon Mobil Corporation and/or its affiliates with respect to several aspects of our operations, including access to expertise in crude oil and raw material procurement services, a global sales network for refined petroleum products and chemicals, advanced technological, operational and engineering services, and ExxonMobil's research and development programs and trademarks and other services. We cannot assure that Exxon Mobil Corporation and/or its affiliates will continue to provide support to us. If we were to lose the support of Exxon Mobil Corporation and/or its affiliates, or if any of our significant agreements with Exxon Mobil Corporation and its affiliates were terminated, and we are unable to secure alternate sources for such services or recruit additional key personnel, this could affect our business. Many of the agreements we have with ExxonMobil for services, technology, trademarks and other support services contain automatic termination clauses in the event Exxon Mobil Corporation directly or indirectly ceases to own or control more than 50% of the ownership interest in the Company. Certain preemption rights apply if ExxonMobil shareholders wish to reduce their aggregate shareholdings in the Company to below 50%.

Our ExxonMobil shareholders are not bound to retain any minimum interest in the Company and may reduce their shareholdings in the Company after the specified lock-up period. In addition, Exxon Mobil Corporation and its affiliates are not obligated to grant loans to us or provide any other type of financial assistance and there can be no assurance that they will do so in the future.

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# financial highlights

Financial Highlights	2008	2007
(millions of Baht, unless noted)		
Sales revenue	222,234	199,904
Gross profit	(4,159)	15,048
EBITDA	(7,058)	12,603
Net profit	(6,864)	7,054
Basic earnings per share (Baht) <sup>(1)</sup>	(2.2)	6.6
Adjusted earnings per share (Baht) <sup>(2)</sup>	(2.0)	2.0
Total assets	55,070	70,814
Total liabilities	34,650	46,419
Total shareholders' (deficit) / equity	20,420	24,395

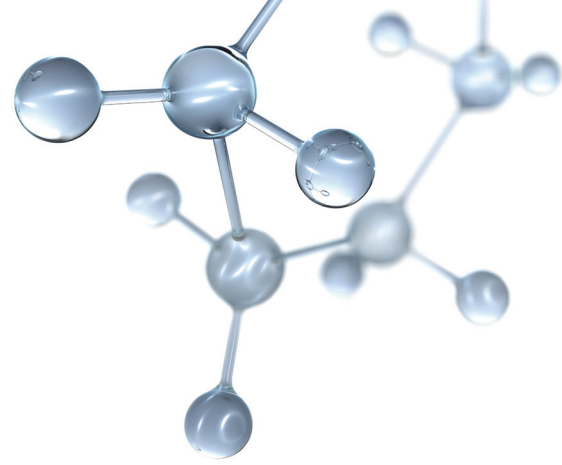
Key Financial Ratios	2008	2007
Net profit margin (%)	(3.1)	3.5
Interest coverage (x)	N/A	3.7
Net debt to equity (x)	1.3	1.4

Dividend Payment	2008	2007
Dividend payment (Baht/share) <sup>(3)</sup>	0.5	1.0

(1) Based on weighted average number of shares during the period

(2) Based on current number of shares: 3,461 million shares

(3) 1.0 Baht/share was paid on June 27, 2008 and 0.5 Baht/share was paid on Sep 26, 2008



# our performance



## Refining and Petrochemical

Production levels of our refinery and paraxylene units were primarily determined by economics. We look at fuels and chemical economics on an integrated basis. We benefited from the integration of refining and petrochemical units as it provides us with greater flexibility to produce higher-value products, optimize operations, and realize cost savings from physical integration.

Our refinery's crude run was 138 thousand barrel per day in 2008, reflecting weaker demand for petroleum products and 10 days planned maintenance in the third quarter on our Gas Oil Hydrofiner (GOHF) and Naptha Hydrofiner (NHF) units. This maintenance was originally scheduled to occur in 2Q08 but was deferred into the second half of the year to capitalize on the strong margins available during the second quarter.

Paraxylene production was 316 thousand tons in 2008. Weaker demand and lower margins, especially in the latter half of the year, impacted our paraxylene production level. Consistent with softening market conditions and down-cycle petrochemical margins, we optimized paraxylene production based on integrated manufacturing economics. In conjunction with the planned refinery maintenance noted above, we took the opportunity to conduct maintenance on our aromatics plant and replace its catalyst. This catalyst utilizes ExxonMobil technology and helps improve the yield of Paraxylene while also improving energy efficiency and reliability.

In addition to production levels, margins were another key factor affecting our performance. While we cannot control margin fluctuations which are driven by overall industry trends, we continued our efforts to enhance margins by maximizing production of higher value products and minimizing raw material costs. Particular emphasis was placed on processing challenged crudes, utilizing technology and implementing self-help improvement programs.

- **Challenged Raw Materials** : we processed challenged feedstocks, which trade at significant discounts in the market due to the difficulties associated with processing these crudes. In terms of total processed volume, challenged raw material accounted for 30% of total crude runs in 2008, which represented an increase over 2007, and was made possible by our ability to utilize ExxonMobil's global crude procurement network.
- **ExxonMobil's Technology** : we applied ExxonMobil's Molecule Management technology, consisting of advanced molecular fingerprinting and modeling technology to analyze the behavior and characteristics of materials moving through our refinery on a real time basis. We were able to more precisely source and select crudes with properties



that optimize the yields of high-value products. In addition, we applied ExxonMobil's feed injection technology to enhance our cracking unit which upgrades heavier oil to higher-value fuels and chemical feedstocks for our aromatics plant.

- **Other Self-Help** : we pursued self-help programs and used ExxonMobil's global networking resources to assist in identifying areas of improvement, based on global best practices, particularly in relation to raw material diversification, new emerging crude processing opportunities and new technology to de-bottleneck profitable units. Part of our self-help also comes from a continued emphasis on energy efficiency, where examples include successful implementation of on-line furnace decoking and implementation of steam optimization initiatives.



## Marketing

We sold our petroleum products through diversified channels including retail, commercial, and export channels for optimal product realization.

Esso's service stations continued to provide a secure and steady outlet for our refinery. With our logistical and other operational advantages, we were well-positioned to compete in this dynamic and competitive marketplace. Retail sales accounted for 32% of sales in 2008.

As of year-end, we had 547 service stations with a retail market share of 15.5% maintaining our position as the second largest fuels retailer in Thailand. We continued to optimize our network and make opportunistic enhancements to our stations while maintaining capital discipline. We implemented automated payment systems at all our company operated stations to enhance efficiencies at those sites.

In addition to fuels income of our service stations, we also worked on enhancing non-fuels income such as income from our Tiger Marts. Monthly promotions were run to provide customers with more choices and greater convenience, further improving our engagement with customers. We also placed high importance on our strategic alliances. We further developed our relationships with dealers and our alliance partners such as Tesco, McDonald, and B-Quik. These arrangements allow us to capitalize on the different strengths, thereby optimizing our retail sites' profitability. In 2008, we established a new alliance with Wizard car wash, and launched 5 pilot sites with them.

Our commercial channels included sales through our three business-to-business segments; Industrial and Wholesale, Aviation, and Marine. Sales through this channel accounted for 52% of sales in 2008. We continued to focus on sales network efficiency enhancements. In 2008, we implemented the Global Professional Sales Process within the commercial sales unit to assist salespersons to develop skills to efficiently identify customer requirements by applying structural processes and to establish long term business partnerships.

The remaining 16% of our petroleum products were exported, mainly within the Asia Pacific region.

Our flagship lubricant brand is Mobil 1. It is the world's leading synthetic motor oil and its performance has been proven by Formula One (F1) Racing and Original Equipment Manufacturer (OEM) approvals. We implemented the Mobil 1 Center project to provide the high-standard lube change services to customers. We opened 8 Mobil 1 Center sites in 2008, and plan to expand in the coming years. We supplied our lubricant products to our key strategic customers and retail customers at our service stations.

More than 90% of our aromatics products, Paraxylene and Benzene, were sold domestically to commercial customers, while other chemical products e.g. solvents and plasticizers were all sold to commercial customers locally.



## Safety and Quality Control

Safety continued to be our top priority and we operated in a safe and environmentally responsible manner. Our Operations Integrity Management System (OIMS) provided a robust framework for managing the safety of our personnel and operations, our occupational health and environmental protection. Our safety management process focused on underlying behaviors as well as enhancements to our facilities, systems, and competencies.

Our approach to safety and health management is yielding results, but we will not be satisfied until we have achieved a work environment in which Nobody Gets Hurt - our unifying goal.

Our quality control system ensures the quality of our products from the refinery to our customers. Every shipment of refined product is certified to fully meet the respective specifications, and we closely monitor the quality of our retail fuel products and have a mobile fuel quality team travelling nationwide to monitor and ensure our product quality.

## Environmental Care

We conducted regular reviews to ensure compliance with environmental laws and regulations, standards and our internal policies in all aspects of our business. We implemented various pollution control and other environmental impact mitigation measures to control our waste emissions, including applying ExxonMobil's advanced technologies to reduce emissions and conserve resources. Key examples are:

- Our three cogeneration gas turbine generators reduce greenhouse gas emissions by efficiently generating electricity and are also designed for low nitrogen oxide emissions compared to conventional electricity generation.
- Our refinery operations use and recycle fresh water produced by our two desalination plants, thus saving natural fresh water resources.
- Our Global Energy Management System (GEMS) ensures efficient use of energy in our operations on an ongoing basis and also helps to identify facility enhancements for further efficiency improvements.

We have complied with government biofuels policies including launching biodiesel 2% at all service stations since February 2008 and are gradually replacing conventional gasoline with gasohol 91 at our service stations. We upgraded facilities at our distribution terminals to support gasohol supply and installed vapor recovery units to recover vapors released to the atmosphere.





## Financing

We have multiple sources of funds and have maintained a strong liquidity position. Altogether, as of December 31, 2008, the company, including its subsidiaries, has total undrawn uncommitted credit facilities of Baht 63 billion from Thai and foreign banks as well as ExxonMobil affiliates.

In addition, the company received an approval from the Securities of Exchange Commission (SEC) to offer for sale Baht 8 billion of short term bills of exchange in a revolving program to institutional investors, high net worth investors, and the general public. The program has been assigned the short-term national rating of F-1 (tha) by Fitch Ratings (Thailand) Ltd. The company has also obtained A+ rating from Tris Rating Co., Ltd. The program will be used for the Company's general working capital requirements.

We also successfully secured Baht 8 billion of committed loans to refinance existing loans that were due in December 2008.



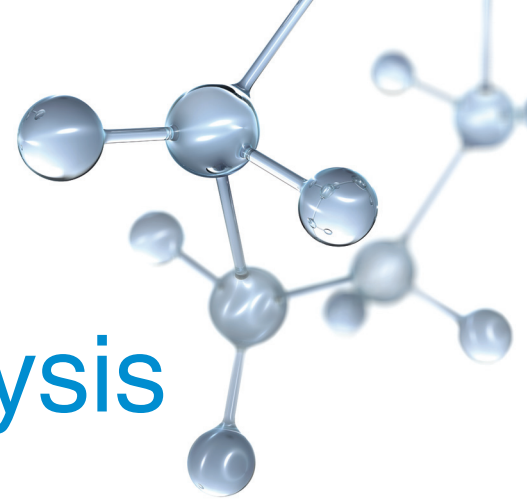
## Quality Workforce

We believe that our capable and dedicated employees are one of the company's greatest strengths. Our employee development system ensures the ongoing development of the highly productive, dedicated and motivated employees. We are committed to maintain a diverse workforce and a supportive work environment that is characterized by open communication, trust and fair treatment.

We continue to recruit talented people and provide them with formal training and a broad range of experiences to develop them into professionals and next-generation of company leaders. We have leveraged the network of ExxonMobil to provide training opportunities for our employees, including foreign assignments for selected employees to work in other ExxonMobil affiliates to enhance skills and knowledge. We also have programs to support further education of our employees at company expense.

We focus on merit-based promotions and long term career development for our employees. We require our managers and supervisors to foster an environment where continuous personal and professional growth is encouraged and where employees understand company expectations of high performance and individual development. It is an environment that recognizes employee contributions and provides rewards based on individual and team contributions.

# management's discussion and analysis



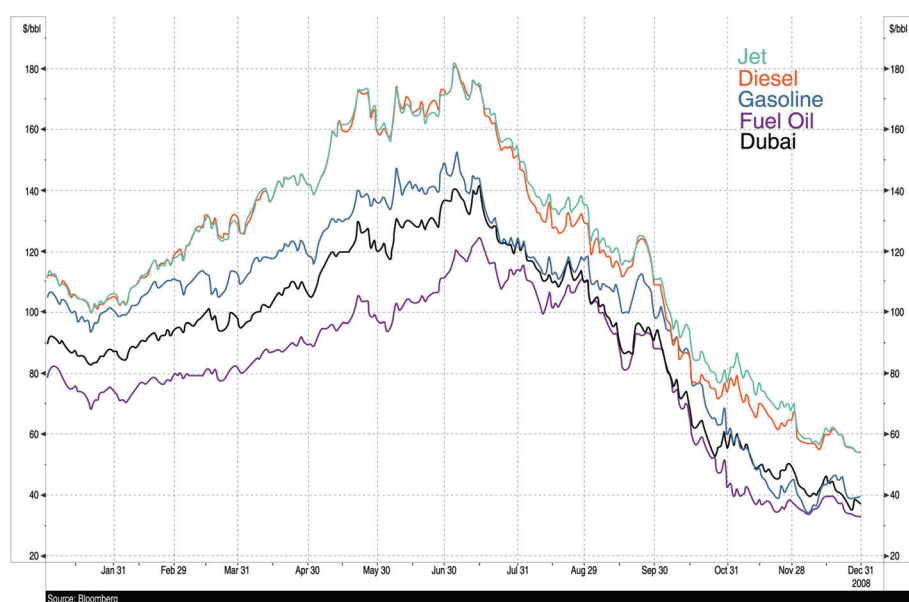
## Review of consolidated results for 2008

Income Statement	2008	2007
(million Baht)		
Sales	222,234	199,904
Profit from sales	(9,033)	10,623
<i>Downstream</i>	(7,169)	8,970
<i>Petrochemical</i>	(1,864)	1,653
EBITDA	(7,058)	12,603
Interest expenses	(1,244)	(3,448)
Income Tax	3,053	(992)
Net profit	(6,864)	7,054
Adjusted earnings per share* (Baht/share)	(2.0)	2.0
<i>Based on current no. of shares: 3,461 million shares</i>		

Our sales revenue posted an increase of 11% in 2008 as average product prices were higher compared to 2007; however, higher prices were partially offset by a decrease in our sales volume. Prices for petroleum products and crude were very volatile; prices rose in the first half of the year and dramatically dropped in the latter half of the year. Our sales volume was affected by weaker fuel demand as a consequence of a significant upsurge in product prices during the first half of the year and the global economic meltdown driving the slow down in fuel consumption later in the year. Local demand for petroleum products deteriorated 4% in 2008, with demand for gasoline, diesel, jet fuel, and fuel oil declining by 7%, whereas LPG demand surged 17%. The significant increase in LPG demand was led by consumers switching from gasoline/diesel to LPG, especially in the first half of the year, as local LPG prices remained subject to government control at below market prices.

We incurred losses from sales as refining and paraxylene margins deteriorated. Weaker refining margins mainly resulted from a plunge in crude and product prices especially in the latter half of the year when falling product prices outpaced falling crude prices. Additionally, as we maintain crude and petroleum products inventory to comply with regulatory reserve requirements, fluctuations in crude and product prices impact our margins. We generally generate stock gains when prices rise, and stock losses when prices decline. Stock gains were incurred during the first half of the year as crude prices climbed from 90\$/bbl in January to over 140\$/bbl in July. However, the plunge in crude prices in the latter half of the year to about

## Crude and Product Prices



40\$/bbl, a 4-year low, generated substantial stock losses which more than offset stock gains in first half of the year. As a result, our profits from sales were negatively impacted by net stock losses this year. Our selling, general, and administrative expenses increased Baht 448 million or 10% mainly due to the inclusion of expenses attributable to the chemical business, resulting from the entire business transfer of ExxonMobil Chemical (Thailand) Limited or EMCTL to the Company in September 2007, and the increases in maintenance and sales promotion expenses.

Excluding depreciation and amortization expenses from our profit/(loss) from sales, our 2008 EBITDA was Baht -7,058 million as compared to 12,603 million in 2007.

Interest expenses substantially decreased by Baht 2,204 million as a result of lower debt associated with the capital increase in September 2007, the Initial Public Offering (IPO) proceeds in May 2008, positive operating cash flow and lower interest rates from the debt refinancing completed in December 2007.

Income tax was a credit of Baht 3,053 million due to losses for the year. Despite strong earnings in 2007, income tax was low due mainly to the reversal of the deferred tax asset valuation allowance and the income tax holiday enjoyed for income generated by the Aromatics Plant which was expired on September 10, 2007.

Our net loss for the year was Baht 6,864 million (-2.0 Baht/share) compared to net profit of Baht 7,054 million (2.0 Baht/share) in 2007.

Balance Sheet	2008	2007
(million Baht)		
Total assets	55,070	70,814
Total liabilities	34,650	46,419
Total shareholders equity	20,420	24,395

**Total assets** decreased Baht 15,744 million mainly from lower crude and product prices which reduced trade receivables and inventory balance by Baht 14,425 million. Other significant factors were lower tax claim receivables of Baht 2,330 million from the receipt of tax refunds partially offset with higher deferred income tax assets of Baht 3,239 million generated from the year's net loss.

**Total liabilities** decreased Baht 11,769 million mainly from lower accounts payables of Baht 4,987 million driven by crude price declines and lower debt balances of Baht 6,739 million. As of year-end, we had Baht 19,721 million of short-term loans and Baht 8,250 million of long-term loans. The Baht 8,250 million of long-term loans are shown in the balance sheet as current liabilities in accordance with TAS35 as described in footnote 16 of our financial statements. The company expects to re-characterize these liabilities as non-current liabilities in the first quarter of 2009.

**Total shareholders' equity** decreased Baht 3,975 million, resulting from net loss for the year of Baht 6,864 million, dividends paid of Baht 5,191 million (1 Baht/share dividend in June and 0.5 Baht/share dividend in September), partially offset by increases in paid-up and premium on share capital of Baht 8,230 million from the IPO new share issuance.



Cash Flow	2008	2007
(million Baht)		
Cash generated from operations	5,359	6,554
- Net cash generated from operating activities (after interest and tax)	4,073	(12,355)
Cash flow from investment	(849)	(48)
Cash flow from financing	(3,827)	7,516
Net increase/(decrease) in cash	(603)	(4,887)

Despite incurring net losses due primarily to stock losses, our cash flow from operations was positive as lower crude and product prices reduced working capital. Our cash generated from operations was Baht 5,359 million. Net cash used in investment was Baht 849 million. Investment expenditures were mainly related to capital investment for the early phase of the Euro IV project, some upgrades in our distribution terminals to accommodate bio-diesel and gasohol products and tank modifications at our service stations. We received cash from new share offerings (IPO) of Baht 8,110 million, paid out dividend of Baht 5,191 million, and repaid loans of Baht 6,745 million. Altogether we used net cash of Baht 3,827 million in financing activities.

Financial Ratio	2008	2007
Current ratio (times)	0.5	1.1
Quick ratio (times)	0.1	0.3
Total debt to equity ratio (times)	1.4	1.4
Long term debt to equity ratio (times)*	0.0	0.5
Net debt to equity ratio (times)	1.3	1.4

*Current ratio* = *Current assets / Current liabilities*

*Quick ratio* = *(Cash and cash equivalents  
+ Short term investments  
+ Trade receivables) / Current liabilities*

*Total debt to equity ratio* = *Total debt / Total shareholders' equity*

*Long term debt to equity ratio* = *Non-current borrowings / Total shareholders' equity*

*Net debt to equity ratio* = *(Total debt - Cash and cash equivalents)  
/ Total shareholder's equity*



# corporate citizenship/community development

The Company is an active participant in the communities it operates in, and strives to make a positive contribution built on mutual trust and respect. The company plays a constructive role in society by identifying and supporting a number of programs that bring lasting benefit for rural development, education, art and culture, environmental conservation, health and safety, and the well-being of Thai people in surrounding communities and the country at large.

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## 1. Strategic Community Investment

Apart from our contributions during severe national disasters, we have a long tradition of contributing to several programs that support infrastructure, human skill development and quality of life in surrounding communities and rural areas around Thailand.

### Global Women in Management (GWIM) Program

The GWIM is a comprehensive training and coaching program sponsored by Exxon Mobil Corporation that strengthens the management skills and leadership abilities of women managers who are working in community organizations. The program bolsters their abilities to create positive and sustainable changes to their home communities and to the nation. The company selected Thai female managers of Thailand NGOs to attend the GWIM program in the USA in 2006. In 2008, an alumni of GWIM participant in Thailand was established to develop strategic programs for improving living standards for youth and women in the country. These programs are scheduled to begin at selected pilot communities from early 2009 onwards.

### Bangsai Arts and Crafts Center

We provided support to the Bangsai Arts and Crafts Center under the Royal Patronage of Her Majesty the Queen's Supplementary Occupations and Related Techniques (SUPPORT) to run activities on their purpose. The Bangsai SUPPORT Center is one of Her Majesty's many projects whose goals are to develop Thai local communities. It is aimed to enhance Thai intellectual heritage particularly handicrafts while improving villagers' income and their quality of life, as well as conserving Thai art and culture.

### Voluntary Engineering Student Camp

For over 20 years, we supported the rural development camp organized by engineering students of Chulalongkorn University. In 2008, the students built a reinforced concrete bridge over a canal at Baan Mae Kong Wa, Amphoe Li, Lumphun. Villagers, mostly farmers, benefit from the bridge as it facilitates transport of crops to the market and general travelling in the area.



## 2. Education Partnerships

Education is the key to development and economic growth. We have a long history of supporting a number of educational initiatives. We supported the operation of the Satellite Education Foundation in expanding its reach to community education and lifelong learning through e-learning. We sponsored the construction of several school buildings, libraries and other facilities in remote areas of the country, as well as donated educational supplies and equipment to needy schools.

### Esso Scholarships

Recognizing the need to develop the next generation of scientists and engineers to help secure energy in today's highly competitive and technology-driven world, we established the Esso-Ratanakosin Bicentennial Fund in 1982 and have provided more than 1,200 scholarships to students in the science and engineering fields from universities nationwide.

The Esso Sriracha Refinery's educational fund was established in 1999 with the aim of supporting needy students with good performance and behavior. So far, the program has awarded 949 scholarships worth 1,156,600 Baht to local students. In 2008, 91 primary students, 58 junior high school students, and 51 senior high school students were granted scholarship, respectively.

Employees at Esso Sriracha refinery have volunteered to teach English to Mathayom 1 students of Wat Laem Chabang School every Thursday for the past seven years. In the 2008 academic year, 26 employee volunteers joined this program. The teaching volunteers help foster a friendly and conducive learning atmosphere, resulting in highly enjoyable classes.

### Learning Center of Baan Loo School

We supported the funding for the government's program for educational development in schools in the border communities based on the Royal initiative of sustainable economy. The program included establishment of the learning center at Bann Loo School in Amphoe Wiang Kaen, Chiang Rai.

### Vocational Science Contest

In conjunction with the Education Ministry and the Science Society of Thailand, we organized the Esso Vocational Contest for students at vocational schools to encourage innovative scientific inventions that benefit society.



### Esso Challenge Innovative Internship

The Esso Challenge Innovative Internship program is an extensive training program for selected third-year students from universities around Thailand, in order to increase business exposure before graduation. The program includes class room training and real life practical experience to enhance professionalism, ethics awareness, and skills development in areas such as Information Research and Analysis, Innovative Thinking, Integrated Marketing Communications and Leadership Management.

### Speakers Coalition Program

Sharing energy knowledge with the public helps enhance understanding of the country and world energy situation. We have developed our Speakers Coalition team from our selected employees, including senior executives, technical experts and engineers. Our venues during the year included government agencies, community organizations, trade associations, and academic institutes.



## 3. Health and Safety

We take an interest in projects designed to promote public health and safety. We set up funds for needy patients and donated medical equipment to local hospitals in remote areas. We sponsored the construction of pedestrian bridges to help reduce traffic accidents. In addition, we have launched several safety campaigns at Esso service stations nationwide to increase public awareness of safe practices and behaviors.

### Blood Delivery Van

We donated a refrigerated blood delivery van to the National Blood Center of the Thai Red Cross Society. The well-equipped blood delivery van can effectively transport donated blood from mobile blood donation units to the National Blood Center.

### Road Safety

In conjunction with the Thai Motorcycle Enterprise Association (TMEA), the Department of Land Transport and the Royal Thai Police, we took part in organizing a safety promotion campaign on "Ride Safely, Lights-on and Fasten Anti-Knock Helmet" to support the Government's policy on promoting public safety awareness for students and general motorcyclists. The program, which includes road safety and traffic rules training and distribution of standard anti-knock helmets to attendees, was launched in Cholburi, Chiang Mai and Phuket in 2008.

## 4. Environmental Protection

In addition to our commitment to operate in an environmentally responsible manner everywhere we do business, we also contribute and support several programs to educate, protect and conserve the environment in the communities close to our refinery, as well as in other parts of Thailand.

### Check Dam Project

To support His Majesty the King's initiative in establishing the Kung Krabaen Bay Royal Development Study Center, which aims to conserve the environment around the coastal area in Chantaburi, we provided funds for the construction of 80 check dams in this area. These check dams help slow down the water flow from the mountains, thus helping to restore mangrove forests, promote coastal fish stocks, and prevent sea water intrusion into agricultural lands. The company's employees also contributed to a fund to support the Center.



### Laem Chabang Marine Ecology Study Center

In conjunction with the Laem Chabang Municipality and the Institute of Marine Science, Burapha University, we established in 2005 the Laem Chabang Marine Ecology Study Center at Laem Chabang School which is situated near our refinery. We continue to support the training camp that trains students, teachers and villagers how to monitor the quality of seawater around their area by themselves. The program received a good response and support from the community. We plan to conduct similar programs in other communities along the east coast of Thailand.

### Marine Science Youth Camp

Since 1980, we have continuously supported the Marine Science Youth Camp, organized by the Marine Conservation Club of the Faculty of Science, Chulalongkorn University, to promote marine environmental conservation. In 2008, the 29th Marine Science Youth Camp was held at Ang-Sila Marine Life Research Center and Ko Sichang Marine Science Center in Chon Buri, and was attended by selected high school students from all over Thailand. The theme of the program was "Global Warming and Heated Sea". The training consisted of classroom lectures and field trips. The program successfully enhanced awareness of marine ecology, conservation, and restoration of marine life among the participants.

- | Report of the Audit Committee
- | Shareholding and Management Structure
- | Corporate Governance
- | Internal Controls
- | Related Party Transactions



# report of the audit committee



The Audit Committee comprises of three independent directors namely Mr. Sompop Amatayakul, Mr. Smit Tiemprasert and Ms. Wattanee Phanachet. In 2008, the Committee convened five meetings with the Company's management, external auditors and internal legal counselors to review the matters related to the internal control system and provided recommendations to the management for improvement. The Committee reported the findings and recommendations to the Board of Directors quarterly. In summary, the Audit Committee's review covered the following key areas :-

- The committee reviewed the Company's quarterly and annual financial statements with external auditors and related management. The Committee was of the opinion that the financial statements were prepared in accordance with generally accepted accounting principles, timely and adequately disclosed information in compliance with related rules and regulations.
- The Committee reviewed and concurred with the internal audit plan, assessed the adequacy of the Company's internal control and risk management practices and reviewed key findings from the internal audit and controls assessment. The Committee also reviewed the effectiveness of management process in monitoring and following up key issues. The result of assessment indicated that the Company's internal control system is adequate and appropriate.
- The Committee reviewed the process of compliance monitoring on laws and regulations applicable to the business of the Company and satisfied with the mechanism and processes in place to ensure the compliances.
- The Committee reviewed the appropriateness and reasonableness of related party transactions and concluded that the business transactions were conducted on normal course of business at arms length and were disclosed as appropriate.
- The Committee observed that the Company conducted its business by adhering to business ethics and integrity to comply with the principles of good corporate governance and in line with the guidelines of the Stock Exchange of Thailand.
- The Committee participated in reviewing the qualifications and remuneration of external auditor and concurred with the Board of Directors to propose for approval at the Annual Shareholders' General Meeting.

Mr. Sompop Amatayakul  
Chairman of Audit Committee  
Esso (Thailand) Public Company Limited





# shareholding and management structure

## 1. Shareholders

The top 10 major shareholders registered in the share register book as of September 15, 2008 (closing date for interim dividend payment) were as follows:

Shareholders *	Number of Shares	Shareholding (%)
1. ExxonMobil International Holdings Inc.	2,264,499,994	65.43
2. Ministry of Finance	253,750,000	7.33
3. Littledown Nominees Limited 9	68,060,500	1.97
4. RBC Dexia Investor Services Bank S.A.	40,668,900	1.18
5. Morgan Stanley & Co. International Plc.	30,887,500	0.89
6. Chase Nominees Limited	27,455,800	0.79
7. American International Assurance Company Limited - TIGER	20,600,000	0.60
8. American International Assurance Company Limited - APEX	20,000,000	0.58
9. HSBC (Singapore) Nominees Pte Ltd.	18,885,400	0.55
10. Brown Brothers Harriman & Co-Oppenheimer Quest International Value Fund, Inc.	16,297,500	0.47
<b>Total</b>	<b>2,761,105,594</b>	<b>79.78</b>

\* Excluding 32,085,993 shares (0.93%) under Thai NVDR Co., Ltd.

## 2. Dividend Policy

Our Board of Directors may recommend annual dividends, subject to the approval of the Company's shareholders. Our Board of Directors may by resolution decide to pay to our shareholders such interim dividends as appear to the directors to be justified by our profits. Distribution of an interim dividend must be reported to the shareholders at the next general meeting of shareholders following the meeting of our Board of Directors approving the interim dividend.

It is the current policy of our Board of Directors to recommend to our shareholders a dividend of not less than 40% of net profits after deduction of all specified reserves, subject to our investment plans, applicable laws, contingencies and other relevant considerations. The actual dividend payout ratio may vary above or below the level indicated in our dividend policy and is subject to the risks outlined in our regulatory filings.

### 3. Board of Directors

Our Articles of Association provide that the Board of Directors (the "Board") will comprise at least five directors not less than half of whom are required to reside in Thailand. In addition, one-third or the number of directors closest to one-third if the number of directors is not a multiple of three, of the Board is required to retire at each annual general meeting of shareholders. Retiring directors are eligible for re-election.

The Board consists of qualified persons with relevant experience. Currently, the Board has 12 members with 4 independent directors.

Our Board of Directors serving in 2008 comprised of:

Name	Position
1. Mr. Daniel E Lyons	Chairman
2. Ms. Porntida Boonsa	Director
3. Mr. Mark Ell Northcutt (1)	Director
4. Mr. Mongkolnimit Auacherdkul	Director and Member of Performance Evaluation Committee
5. Mr. Kwok Yew Meng (2)	Director
6. Mr. Adisak Jangkamolkulchai	Director
7. Mr. Somjate Saifon	Director
8. Mr. Kurujit Nakornthap	Independent Director
9. Mr. Wattana Chantarasorn	Director and Member of Performance Evaluation Committee
10. Mr. Sompop Amatayakul	Independent Director and Chairman of Audit Committee
11. Mr. Smit Tiemprasert	Independent Director, Chairman of Performance Evaluation Committee and Member of Audit Committee
12. Ms. Wattanee Phanachet	Independent Director and Member of Audit Committee

\* Mr. Jim M Anthony and Ms. Angsna Pirentorn are company secretaries

(1) Mr. Mark Ell Northcutt was appointed director to replace Mr. Parut Chatikavanij in August, 2008

(2) Mr. Kwok Yew Meng was appointed director to replace Mr. Yeo Kee Whye in August, 2008

## Scope of Duties and Responsibilities of the Board

The Board of Directors has full powers and authority to conduct the Company's business in accordance with the Company's policies, objectives, Articles of Association, board and shareholder resolutions and applicable laws. The Board also has duties and responsibilities prescribed in applicable laws. The Board appreciates the importance of good corporate governance, and believes in the following principles:

1. Commitment to the creation of added value to the business in the long run, and management of the business with prudence and by avoiding of conflicts of interest;
2. Operation of business in a transparent way with adequate disclosure to relevant parties;
3. Operation of business based on appropriate risk control and management systems;
4. Implementation of appropriate Standards of Business Conduct applicable to the Company's directors, officers and employees.

The Board will issue a directors' report on the activities of the Company and its financial performance for review by the shareholders' meeting.

## Board Appointment

The appointment, removal or resignation of directors is prescribed in our Articles of Association which can be summarized as follows:

1. The Board shall consist of at least five directors and not less than half of the directors are required to reside in Thailand.
2. The shareholders' meeting shall appoint directors in accordance with the following principles and procedures:
  - i. In the election of each director, each shareholder will have vote(s) equal to the number of shares(s) held by him.
  - ii. Each shareholder may vote all of his shares in the exercise of the right he has under (i) to elect each of candidates of his choice as a director but he cannot split his shares and cast his split votes in favor of two or more candidates to one directorship.

- iii. Nominees who receive the largest number of votes in descending order from the highest to the lowest number of votes received will be elected until all director positions required at such time are filled. In the event of nominees receiving equal votes and exceeding the number of vacancies to be filled, the chairman of the meeting shall cast the deciding vote.

3. At each annual general meeting of shareholders, one-third or the number of directors closest to one-third, of the Board is required to retire. Retiring directors are eligible for re-election.

4. Any director who decides to resign must submit a letter of resignation to the Company. The resignation shall be effective on the date the Company receives the letter.

5. Removal of a director before the end of term shall require a resolution of shareholders passed by not less than three-fourths of the total votes of shareholders and proxies (if any) attending the meeting and eligible to vote and not less than one-half of the total number of shares held by shareholders and proxies (if any) attending the meeting and eligible to vote.

## Independent Directors

In addition to the qualification described in item 7, independent directors meet the following qualifications:

1. Not hold shares exceeding 5% of the total number of voting rights of the Company, its parent company, subsidiaries, or affiliates, or any juristic person(s) which may have a conflict of interest with the Company;
2. Not be an employee, staff, salaried consultant or controlling person of the Company, its parent company, subsidiaries, or affiliates, or any juristic person which may have conflict of interest with the Company;
3. Not be a person related by blood or registration under laws, such as father, mother, spouse, sibling and child, including spouse of the children, to executives or majority shareholders or controlling persons or persons to be nominated as executive or controlling persons of the Company or its subsidiaries; and
4. Not have a business relationship with the Company, its parent company, subsidiaries, or affiliates, or any juristic person which may have conflict of interest in a manner which may interfere with his capability of expressing independent opinion with regard to the Company's business affairs.



## 4. Audit Committee

Our Audit Committee which was appointed at a shareholders' meeting comprises solely of independent directors who meet the qualifications set out in regulation of the Securities and Exchange Commission and Stock Exchange of Thailand. The Chairman and members of our Audit Committee hold office for a term of two years.

Our Audit Committee members listed below were appointed on October 19, 2007:

Name	Position
1. Mr. Sompop Amatayakul	Independent Director / Chairman
2. Mr. Smit Tiemprasert	Independent Director / Member
3. Ms. Wattanee Phanachet	Independent Director / Member (with accounting and finance background)

\* *Mr. Chai Jangsirikul is Audit Committee secretary,  
Mr. Amporn Chanyangam is Audit Committee Coordinator*

## Audit Committee Responsibilities

The scope of duties and responsibilities of the Audit Committee are as follows:

1. to review the Company's financial reporting process to ensure accuracy and adequacy;
2. to ensure that the Company has a suitable and efficient internal control system and an internal audit system;
3. to review the performance of the Company to ensure compliance with the securities and exchange law, regulations of the Stock Exchange of Thailand and laws relating to the business of the Company;
4. to consider, select, nominate and recommend remuneration of the Company's external auditors;
5. to review the disclosure of information of the Company in the event of a connected transactions or transaction that may lead to conflict of interest so as to ensure accuracy and completeness;
6. to prepare a report on monitoring activities of the Audit Committee and disclose it in the annual report of the Company, and have such report signed by the Chairman of the Audit Committee; and
7. to perform any other task assigned by the board of directors with the approval of the Audit Committee.

## 5. Performance Evaluation Committee

Our Performance Evaluation Committee listed below was appointed on November 29, 2007. The Chairman and members of our Performance Evaluation Committee will hold office for a term of two years subject to them retaining their position as directors of the Company.

Name	Position
1. Mr. Smit Tiemprasert	Independent Director / Chairman
2. Mr. Wattana Chantarasorn	Director / Member
3. Mr. Mongkolnimit Auacherdkul	Director / Member

## Performance Evaluation Committee Responsibilities

The scope of duties and responsibilities of the Performance Evaluation Committee is to develop Key Performance Indicators (KPI) for performance evaluation of our Managing Director, to review our Managing Director's performance based on such KPI's with the Board, and to provide feedback to the Managing Director's home affiliate regarding such performance during the regular performance appraisal cycle of the Managing Director.

## 6. Executive Officers

Our executive officers as of December 31, 2008 were:

Name	Position
1. Mr. Daniel E Lyons	Chairman and Managing Director
2. Mr. Mark Ell Northcutt (1)	Director and Refinery Manager
3. Mr. Mongkolnimit Auacherdkul	Director and Public Affairs Manager
4. Mr. Kwok Yew Meng (2)	Director and Retail Manager
5. Mr. Adisak Jangkamolkulchai	Director and Refinery Process Manager
6. Mr. Somjate Saifon	Director and Chemicals Manager
7. Mr. Channarong Janjitmun	Industrial and Wholesale Manager
8. Mr. Chai Jangsirikul	Controller
9. Ms. Ratrimani Pasiphol	Treasurer
10. Mr. Zarko Pavlovic (3)	Lubricants Manager
11. Mr. Apichart Riamratanakorn	Distribution Manager
12. Ms. Phantipa Rasananda (4)	Investor Relations Manager

(1) Mr. Mark Ell Northcutt was appointed to replace Mr. Parut Chatikavanij in August, 2008

(2) Mr. Kwok Yew Meng was appointed to replace Mr. Yeo Kee Whye in August, 2008

(3) Mr. Zarko Pavlovic was appointed to replace Mr. Russell Canfield in September, 2008

(4) Ms. Phantipa Rasananda was appointed in July, 2008

## Managing Director's Responsibilities

The Managing Director has full power to manage the affairs of the Company in accordance with its policies, objectives, Articles of Association, Board and Shareholders' resolutions, and applicable laws, provided that the Managing Director may not exercise such powers if he/she may have a conflict of interest in any manner with the Company, in exercising such powers.

If the Managing Director delegates powers to a person, such person shall have the authority to exercise such powers on the Managing Director's behalf, provided that such person may not exercise such powers if he/she may have a conflict of interest in any manner with the Company, in exercising such powers.

## 7. Nomination of Directors and Executives

Although no Nominating Committee has been appointed, in practice, in the event a director vacancy arises or in the event an additional director is to be appointed, the remaining directors will discuss to nominate a qualified director with relevant knowledge, experience and skill to fill the vacancy. An appointed director or executive must have all the qualifications set out in Section 68 of the Public Limited Companies Act B.E. 2535 (and as amended) and the Securities and Exchange Commission Procedure no. Kor Jor 5/2548, "The Qualification of Executive of Listed

Company" (and as amended). For directors retiring by normal rotation or for election of new directors, after the Board has approved the list of director nominees, the Boards will propose the list of nominees at a general meeting of shareholders in accordance with the voting procedures described under item 3 (Board of Directors).

## 8. Remuneration of Directors and Executives

### Directors Remuneration

The remuneration of directors who are not receiving separate compensation from the Company, or its affiliates for any type of full-time service is comparable to those paid by other companies, and is as follows:

1. Directors who also are members of the Audit Committee will receive a monthly remuneration of 166,667 Baht.
2. Directors who are not members of the Audit Committee will receive a monthly remuneration of 133,334 Baht.
3. Notwithstanding, directors who receive separate compensation from the Company or its affiliates for any type of full-time service rendered are not eligible for remuneration as directors.

The following remuneration was paid to directors in 2008.

Name	Fiscal year ended December 31, 2008 (Baht)
1. Mr. Daniel E Lyons (1)	-
2. Ms. Porntida Boonsa (1)	-
3. Mr. Mark Ell Northcutt (1)	-
4. Mr. Mongkolnimit Auacherdkul (1)	-
5. Mr. Kwok Yew Meng (1)	-
6. Mr. Adisak Jangkamolkulchai (1)	-
7. Mr. Somjate Saifon (1)	-
8. Mr. Kurujit Nakornthap	1,600,008
9. Mr. Wattana Chantarasorn (1)	-
10. Mr. Sompop Amatayakul	2,000,004
11. Mr. Smit Tiemprasert	2,000,004
12. Ms. Wattanee Phanachet	2,000,004
<b>Directors resigning during 2008</b>	
1. Mr. Parut Chatikavanij (1)	-
2. Mr. Yeo Kee Whye (1)	-
<b>Total</b>	<b>7,600,020</b>

(1) Not eligible for director remuneration as they receive separate compensation from the Company or its affiliates for full-time services rendered.

### Executives Remuneration

For the fiscal year ended December 31, 2008, the total executive remuneration for 15 executives (including the 3 executives replaced in 2008), which includes salaries, wages, benefits, and pension benefits, to the extent borne by the Company, was Baht 121.2 Million.

## 9. Management Structure

The management structure of the Company, its subsidiaries, and associated companies as of December 31, 2008 is as follows:

1. Mobil Enterprises (Thailand) Limited
2. Industry Promotion Enterprises Limited
3. United Industry Development Company Limited
4. Pacesetter Enterprise Limited
5. Thai C-Center Company Limited
6. Thai Petroleum Pipeline Company Limited

Name	Company	Subsidiaries/Associated Company					
		1	2	3	4	5	6
1. Mr. Daniel E Lyons *	x, /, //	/					
2. Ms. Porntida Boonsa *	/						
3. Mr. Mark Ell Northcutt *	/, //						
4. Mr. Mongkolnimit Auacherdkul *	/, //						
5. Mr. Kwok Yew Meng *	/, //						
6. Mr. Adisak Jangkamolkulchai *	/, //						
7. Mr. Somjate Saifon *	/, //						
8. Mr. Kurujit Nakornthap	/						
9. Mr. Wattana Chantarasorn	/						
10. Mr. Sompop Amatayakul	/						
11. Mr. Smit Tiemprasert	/						
12. Ms. Wattanee Phanachet	/						
13. Mr. Channarong Janjitmun	//						
14. Mr. Chai Jangsirikul	//						
15. Ms. Ratrimani Pasiphol	//						
16. Mr. Zarko Pavlovic	//						
17. Mr. Apichart Riamratanakorn *	//						/
18. Ms. Phantipa Rasananda	//						

x = Chairman  
 / = Director  
 // = Executive Officer  
 \* = Authorized Director

## 10. Shareholding of Directors and Executives

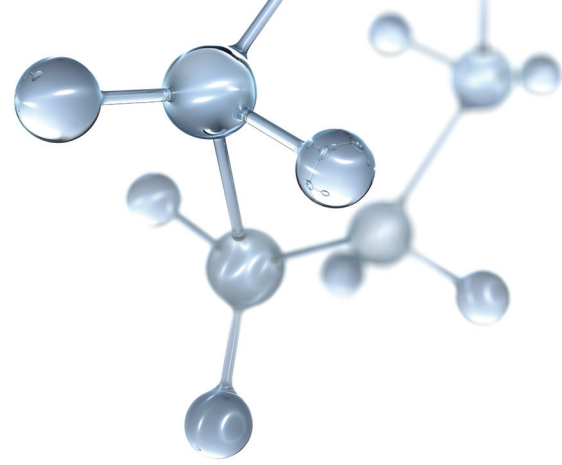
Shareholdings of directors and executives as of December 31, 2008 is as follows:

1. Mobil Enterprises (Thailand) Limited
2. Industry Promotion Enterprises Limited
3. United Industry Development Company Limited
4. Pacesetter Enterprise Limited
5. Thai C-Center Company Limited

Unit: % shares

Name	Company	Subsidiaries/Affiliates				
		1	2	3	4	5
1. Mr. Daniel E Lyons	-	-	-	-	-	-
2. Ms. Porntida Boonsa	-	0.003	-	-	-	-
3. Mr. Mark Ell Northcutt	-	-	-	-	-	-
4. Mr. Mongkolnimit Auacherdkul	-	-	-	-	-	-
5. Mr. Kwok Yew Meng	-	-	-	-	-	-
6. Mr. Adisak Jangkamolkulchai	-	-	-	-	-	-
7. Mr. Somjate Saifon	-	-	-	-	-	-
8. Mr. Kurujit Nakornthap	-	-	-	-	-	-
9. Mr. Wattana Chantarasorn	-	-	-	-	-	-
10. Mr. Sompop Amatayakul	0.0001	-	-	-	-	-
11. Mr. Smit Tiemprasert	-	-	-	-	-	-
12. Ms. Wattanee Phanachet	-	-	-	-	-	-
13. Mr. Channarong Janjitmun	-	-	-	-	-	-
14. Mr. Chai Jangsirikul	-	-	-	-	-	-
15. Ms. Ratrimani Pasiphol	0.0003	-	-	-	-	-
16. Mr. Zarko Pavlovic	-	-	-	-	-	-
17. Mr. Apichart Riamratanakorn	-	-	-	-	-	-
18. Ms. Phantipa Rasananda	-	-	-	-	-	-

Some of the employee directors and executives are on loan assignments from Exxon Mobil Corporation or its affiliates. Pursuant to the programs of such companies, these directors and executives may own shares of Exxon Mobil Corporation stock through employee savings or other plans sponsored by such companies.



# corporate governance

The Company believes that the methods we employ to achieve our results are as important as the results themselves. Our directors, officers, and employees are expected to observe the highest standards of integrity in the conduct of the Company's business and must comply with our Standards of Business Conduct. In addition, our corporate governance practices reflect the principles prescribed by the Stock Exchange of Thailand.

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## 1. Standards of Business Conduct

The Company has long established "Standards of Business Conduct" consisting of various policies and guidelines that apply to our officers and employees. Officers and employees are expected to review these policies annually, and to provide written confirmation of compliance. Formal "Business Practice Review" training sessions are conducted periodically for all employees to bring about a greater understanding of these standards. In addition, separate periodic training sessions are held on specific policies.

Our Standards of Business Conduct contain 16 foundation policies as follows:

1. Ethics Policy
2. Conflicts of Interest Policy
3. Corporate Assets Policy
4. Directorship Policy
5. Gifts and Entertainment Policy
6. Political Activities Policy
7. International Operations Policy
8. Antitrust Policy
9. Health Policy
10. Environment Policy
11. Safety Policy
12. Product Safety Policy
13. Customer Relations and Product Quality Policy
14. Alcohol and Drug Use Policy
15. Equal Employment Opportunity Policy
16. Harassment in the Workplaces Policy

## 2. Corporate Governance Practices

The Company generally observes the principles of good corporate governance encouraged by the Stock Exchange of Thailand as follows:

## 2.1 Rights of Shareholders

The Company recognizes the rights of shareholders, including the right to freely buy, sell or transfer shares, to participate in, express opinions, raise questions, propose agenda items for the annual general meeting, nominate directors, and vote at general meeting of shareholders regarding the Company's performance review, election or removal of directors, directors' remuneration, appointment of external auditors, auditor's fee, declaration of final dividends, amendments to the Memorandum and Articles of Association, capital increases or decreases and the approval of extraordinary transactions requiring shareholder approval. General meetings of shareholders will be attended by relevant knowledgeable executives to answer questions.

Shareholders will be provided adequate information, including relevant opinions of the directors, regarding issues presented for voting at general meetings of shareholders in a timely manner to enable shareholders to exercise their voting rights effectively.

## 2.2 Equitable Treatment of Shareholders

It is the Company's policy that directors, officers, and employees are expected to avoid any actual or apparent conflict between their own personal interests and the interests of the Company. Our directors, officers, and employees are expected to avoid securities transactions based on material, nonpublic information learned through their positions with the Company. In relation to misuse of insider information, the Company has undertaken the following:

- Educate the Company's executives regarding their responsibilities to report holdings of the Company's shares, and the penalties for non-disclosure under the Securities and Exchange Act B.E. 2535 and SET regulations;
- Advise the Company's executives to report changes in such holdings of the Company's shares to the SEC in accordance with the Securities and Exchange Act B.E. 2535;
- Counsel the Company's executives on the sensitivities associated with the use of Company's information which has a bearing on the Company's share price. One month prior to release of the Company's financial statements, the Company advises relevant employees not to disclose any material information prior to disclosure to the SET and the board of directors;
- The Company's directors, executives, employees, officers, including their respective spouses and dependents, are prohibited from using the Company's information to sell, buy, transfer or receive any transfer of the Company's shares before such information is disclosed to the public. Any such use may violate applicable laws and subject the offending employee to disciplinary action by the Company.

## 2.3 Role of Stakeholders

The Company realizes the importance of the legal rights of various groups of stakeholders. We strive to provide communication channels for stakeholders to communicate their concerns in regard to irregularities, incorrect financial reporting, insufficient internal controls or unethical practices.

We recognize the importance of the communities and environment in which we operate. We have a policy to comply with all applicable laws, rules, and regulations, and respect local and national cultures. Above all other objectives, we are dedicated to running safe and environmentally responsible operations.

## 2.4 Disclosure and Transparency

The Company expects compliance with its standards of integrity throughout the organization and will not tolerate employees who achieve results by violating the laws or the Company's policies. All transactions will be accurately reflected in its books and records. The falsification of books and records and the creation or maintenance of any off-the-record bank accounts are strictly prohibited.

It is the Company's policy to make full, fair, accurate, timely and understandable disclosure in reports and documents that the Company files with the authorities, and in other public communications. Relevant information will be disclosed to shareholders in accordance with applicable laws. In 2008, the Company disclosed 9 essential matters as required by relevant rules and regulations through the Stock Exchange of Thailand's channel in a timely manner. Financial reports and relevant information are also posted on the company's website ([www.esso.co.th](http://www.esso.co.th)).

Moreover, the Company has set up an Investor Relations function as a focal point to conduct investor relations activities and to ensure effective communication with investors and securities analysts. Various communication channels are available via the Company website, quarterly analyst meetings, company visits, e-mails, and telephone calls. Direct IR phone line (02 262-4788) and e-mail ([essolr@exxonmobil.com](mailto:essolr@exxonmobil.com)) were provided for contact convenience.

## 2.5 Board Responsibilities

### Board Structure and Responsibilities

See Board of Directors structure and its responsibilities, and list of the directors serving the Board in 2008 in chapter Shareholding and Management Structure under item 3 (Board of Directors).

### Board Meetings

Under our Articles of Association, the Board normally meets once every three months. Additional meetings may be scheduled as required.

The minutes of key items are documented and presented for approval at subsequent Board meetings, and retained for inspection by relevant persons.

Independent directors may meet as necessary among themselves without the management team to discuss their concerns about management issues. The outcome is to be relayed to the Board.

In 2008, the Board met 6 times with details of attendance as follows:

Name	Board Meeting Attendance (time)
1. Mr. Daniel E Lyons	6/6
2. Ms. Porntida Boonsa	4/6
3. Mr. Mark Ell Northcutt (1)	1/1
4. Mr. Mongkolnimit Auacherdkul	5/6
5. Mr. Kwok Yew Meng (2)	1/1
6. Mr. Adisak Jangkamolkulchai	2/6
7. Mr. Somjate Saifon	5/6
8. Mr. Kurujit Nakornthap	6/6
9. Mr. Wattana Chantarasorn	3/6
10. Mr. Sompop Amatayakul	6/6
11. Mr. Smit Tiemprasert	6/6
12. Ms. Wattanee Phanachet	2/6
<b>Directors resigning during 2008</b>	
1. Mr. Parut Chatikavanij (1)	3/5
2. Mr. Yeo Kee Whye (2)	3/4

(1) Mr. Mark Ell Northcutt was appointed director to replace Mr. Parut Chatikavanij in August, 2008

(2) Mr. Kwok Yew Meng was appointed director to replace Mr. Yeo Kee Whye in August, 2008

### Audit Committee

See the Audit Committee charter and its responsibilities, and list of members in the chapter Shareholding and Management Structure under item 4 (Audit Committee).

In 2008, the Audit Committee met 5 times with details of attendance as follows:

Name	Audit Committee Attendance (time)
1. Mr. Sompop Amatayakul	4/5
2. Mr. Smit Tiemprasert	5/5
3. Ms. Wattanee Phanachet	5/5

### Performance Evaluation Committee

See the Performance Evaluation Committee charter and its responsibilities, and list of members in chapter Shareholding and Management Structure under item 5 (Performance Evaluation Committee).

The Performance Evaluation Committee will assess our Managing Director's performance for 2008 based on Key Performance Indicators established and will review the assessment with the Board, and provide feedback to our Managing Director.



## Director Remuneration

Details of remuneration paid to directors is disclosed in chapter Shareholding and Management Structure under item 8 (Remuneration of Directors and Executives).

## Executive Remuneration

Total remuneration paid to executives is disclosed in chapter Shareholding and Management Structure under item 8 (Remuneration of Directors and Executives).

## Director Development

It is expected that directors will remain well informed regarding current aspects of the Company's operations and developments, and best practices in corporate governance. In that regard, the Board considers it desirable that directors participate in continuing education opportunities in relevant available training programs inside and outside the Company, such as the programs offered by the Thai Institute of Directors Association (IOD).

Directors who have completed training courses by the IOD can be summarized as follows:

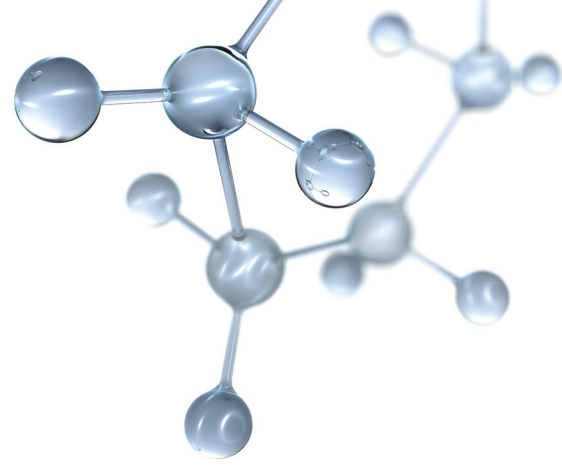
Name	Course	Date of Attendance
1. Mr. Daniel E Lyons	DAP	20 Aug 2008
2. Ms. Porntida Boonsa	DAP	26 Sep 2008
3. Mr. Mark Ell Northcutt	-	-
4. Mr. Mongkolnimit Auacherdkul	DAP	26 Sep 2008
5. Mr. Kwok Yew Meng	-	-
6. Mr. Adisak Jangkamolkulchai	DAP	7 Nov 2008
7. Mr. Somjate Saifon	DAP	26 Sep 2008
8. Mr. Kurujit Nakornthap	DAP	20 Jul 2007
9. Mr. Wattana Chantarasorn	-	-
10. Mr. Sompop Amatayakul	DAP	26 Sep 2008
11. Mr. Smit Tiemprasert	DAP	Jan - Mar 2006
	FN	2005
12. Ms. Wattanee Phanachet	DAP	12 Mar - 16 Aug 2002
	DAP Refresher	25 Feb 2007
	ACP	14 - 15 Feb 2007

*DAP = Director Accreditation Program*

*DAP = Director Certification Program*

*ACP = Audit Committee Program*

*FN = Finance for Non-Finance Director*



# internal controls

The Audit Committee independently assesses and evaluates the effectiveness of the company's internal control systems to ensure that they are in compliance with good corporate governance. The Audit Committee has performed an assessment of the effectiveness of our internal control systems including a review of all internal audit findings and recommendations. Based on the Audit Committee's assessment, the Board has concluded that our internal control systems are suitable and adequate, and are functioning consistent with the good corporate governance aspects described below.

## Organization and Control Environment

The Company believes the existing organization structure is appropriate and effective in operating the Company's business. It is the company's policy that directors, officers, and employees are expected to observe the highest code of ethics and avoid any actual or apparent conflict between their own personal interests and the interests of the Company. They are also expected to deal fairly with each other and with the company's suppliers, customers, competitors, and other third parties.

## Risk Management

Company applies risk assessment and management practices in all aspects of its business. The process of analyzing and assessing the significance of potential risks and determining mitigation measures are available to reduce risk wherever feasible. The risk management plans are developed, with consideration of internal and external risk factors, and including follow-up process to ensure that the plans are implemented.

## Management Control

The Company has adopted a Delegation of Authority Guide which summarizes the responsibilities and authorities which form the overall framework for ensuring that business arrangements and transactions are endorsed and reviewed at an appropriate level. By delegating authority, Management ensures that decisions will be made or endorsed by individuals with the required skills and knowledge. A basic premise is that delegated authority bears with it the obligation to exercise good business judgment and due diligence as well as effective segregation of duties.

## Information and Communication

Meeting agenda and supporting information are provided to board members in a timely fashion to ensure that material information are available to the people responsible for making relevant decisions. Minutes of the Board's meetings including comments of the board members are properly documented for potential subsequent review. All accounting and supporting documents are effectively retained under the company's Information Management System (IMS).

## Monitoring and Evaluation

Control training is identified and provided to all employees consistent with job requirements. Internal audit staff independently assesses compliance with policies and procedures, and evaluates the effectiveness of all control systems relating to the business. Control weaknesses, irregularities, and business practice issues are promptly addressed and reported to management and reviewed by the Audit Committee. Corrective actions, in accordance with internal audit findings and recommendations, are monitored by the management of each business unit. The status of such issues is reported periodically to the Audit Committee until the issues are resolved.

## Internal Control System

The Company realizes the importance of an effective internal control system at all levels. In this regard, extensive internal controls and procedures, including those set out in our System of Management Control (SMC) - Basic Standards and Controls Integrity Management System (CIMS) are fully established.

The internal control system, including compliance with policies and procedures, and the effectiveness of all financial, operation and related controls, are formally assessed by independent internal audit staff and external auditors in each audit cycle.

### System of Management Control (SMC)

Our System of Management Control (SMC) sets forth the Company's basic principles, concepts and standards for an effective system of management control. We have evolved a system of management controls to ensure effective, efficient and proper utilization of its resources in pursuit of the Company's objectives, with due regard for the respective interests of its stakeholders and the public. The basic purpose of such controls is to see that business is conducted properly in accordance with management's general and specific directives.

The SMC is based on 7 basic principles which are Decentralization of Management, Segregation of Duties and Responsibilities, Documentation, Supervision and Review, Timeliness, Relevance to Risk, and Minimum Inter-dependence of Controls. Management at all levels is required to establish systems and procedures that meet or exceed these control principles.

### Controls Integrity Management System (CIMS)

Our Controls Integrity Management System (CIMS) is a formal system of internal methods and analytical tool to assess and mitigate operating, financial, and administrative control risks, and facilitate the timely reporting to management of control weaknesses and business practice issues. CIMS is based on the principles and standards of SMC and provides key attributes of an effective control system for ensuring that the Company Policies, and in-line controls are implemented and effectively sustained over time.

CIMS is comprised of seven elements:

"Management, Leadership, Commitment & Accountability", "Risk Assessment", "Business Procedure Management & Improvement", "Personnel & Training", "Management of Change", "Reporting & Resolution of Control Weakness", and "Controls Integrity Assessment". Each element has five components: Objective, Standards, Procedures, Expected Results, and Verification & Feedback Mechanism.

## Auditing and Compliance

### Internal Control Audit

The internal audit staff independently assesses compliance with policies and procedures, and evaluates the effectiveness of all control system related to the business. Management of each business segment is obligated to consider all internal audit findings and recommendations, and take appropriate actions. Generally, each segment of the business receives an internal audit about every three years.

In addition, business segments appoint their Control Advisors to provide guidance on controls and to periodically facilitate their Unit Internal Assessments (UIA) based on CIMS and audit standards.

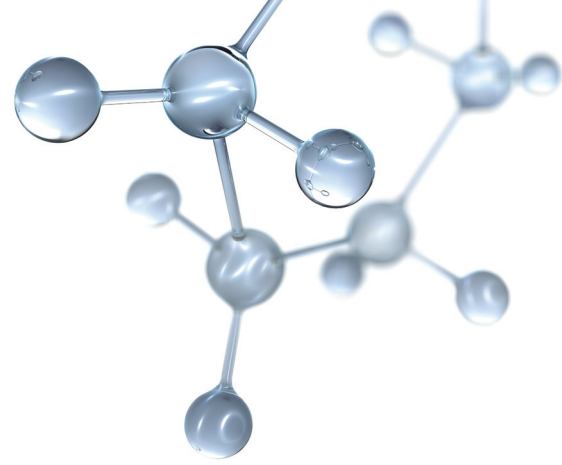
The results of internal audits are reviewed by the Audit Committee.

### Independent External Control Audit

Independent external auditors audit the Company's financial statements in accordance with generally accepted auditing standards to ensure accuracy and conformity with generally accepted accounting principles.

### Auditor's Remuneration

The audit fees paid to the office of external auditor, PricewaterhouseCoopers ABAS Limited, for the 2008 accounting period was Baht 4,300,000. In addition, non-audit related fees of Baht 21,673,500 were paid to PricewaterhouseCoopers ABAS Limited in connection with the Initial Public Offering in 2008.



# related party transactions

In order to leverage on the global expertise of ExxonMobil, the Company has executed numerous agreements with ExxonMobil and its affiliates.

These agreements are beneficial to the Company and are essential to the way the Company operates its business to the high standards of ExxonMobil. These agreements have terms and conditions that are on the same basis as those applied generally to all ExxonMobil affiliates worldwide. We believe these agreements are arm's length and have terms and conditions that are fair and reasonable. All this related party agreements have been reviewed by the Audit Committee.

## Necessity and Reasonableness of related party transactions

All related party transactions undertaken in the past year pursuant to these agreements are for the maximum benefit of the Company, and have been audited by the Company's external auditors, and have been reviewed by the Audit Committee. The Audit Committee has considered and provided an opinion that such transactions were entered into in normal course of business and are arm's length, and have been properly disclosed.



## Approval of related party transactions

All of our existing related party agreements are in the normal course of our business. The approval processes for related party agreements are consistent with those prescribed by the relevant rules and regulations of the Stock Exchange of Thailand. Where there is a likelihood of a conflict of interest may arise from the Company's entry into a related-party agreements with a person who is a shareholder, director or executive of the Company, the said shareholder, director or executive will not participate in the approval process for such agreement.

On August 28, 2008, the Board of Directors approved the Company and its subsidiaries to enter into certain transactions with its directors, executives and/or related persons (as defined in the Securities and Exchange Act) where, in principle, such transactions have the same terms as those may ordinarily be entered into by an ordinary persons with unrelated counterparties under similar circumstances, based on commercial negotiations, and without preference resulting from the status of being a director, executive or related person, as the case may be, or where the transactions reflect fair prices or are on a cost or cost plus basis pursuant to agreements between the Company and its affiliates, or where the charges under the transactions are consistent with those charged by or other affiliates around the world for similar services or goods, or where the interest expenses in connection with financing transactions with the Company's affiliates are generally based on fair and market rates.

## Related party transactions in the future

We will ensure that any new related party agreement in the future will comply with the Board resolution of August 28, 2008 described above, as well as all relevant laws and regulations of the Securities and Exchange Commission and the Stock Exchange of Thailand.

Where the Company proposes executing a related party agreement, the Audit Committee shall review and render an opinion on such agreement. The Audit committee's opinion will be communicated to the Board of directors or shareholders, as the case may be, to ensure the proposed agreement is in the best interest of the Company.

## Details of Related party transactions

We list below the main agreements, with related parties.

Agreements	Parties/Relationship with the Company	Main Purposes	2008 Transaction Value (Million Baht)			
			Sales	Purchase	Service Income	Service Expenses
Goods and Services Crude oil, LPG, Products and Feedstock, and Lube Basestock Supply Agreement	ExxonMobil Asia Pacific Pte.Ltd. (" <b>EMAPPL</b> ")  EMAPPL is an affiliate of Exxon Mobil Corporation (EMC), which EMC indirectly holds 100% of shares in EMAPPL	EMAPPL sells or procures for sell to Esso Asia-Pacific crude oil. In addition to such crude oil, EMAPPL agrees to sell or procure for sell LPG, products and feedstock, and lube basestock. EMAPPL purchases crude oil, LPG, products, feedstock and lube basestock which Esso desires to sell and export.	24,592	99,513		
Paraxylene and Benzene concentrate Supply and Offtake Agreement	<b>EMAPPL</b>	Esso sells EMAPPL paraxylene and benzene concentrate				
Crude oil, Products and Feedstocks Supply Agreement	ExxonMobil Sales and Supply (" <b>EMS&amp;S</b> ")  EMS&S is an affiliate of EMC, which EMC indirectly holds 100% of shares in EMS&S	EMS&S sells or procures to sell non Asia-Pacific crude oil. In addition to such crude oil, EMS&S agrees to sell or procure for sell products and feedstock to Esso. EMS&S purchases crude oil, LPG, products, feedstock and lube basestock which Esso desires to sell and export.	2,705	77,820		
"Bangkok Business Support Center" Master Service Agreement	ExxonMobil Limited (" <b>EML</b> ")  EML is an affiliate of EMC and a subsidiary of ExxonMobil International Holdings Inc.	EML provides various services including certain management consulting, functional advice, administrative, technical, professional and other supporting services relating to Esso's business and operations such as tax, finance, public affairs, etc.				1,236
Downstream Regional Headquarters/Affiliate Master Service Agreement	<b>EMAPPL</b>	EMAPPL provides /receives services to/from Esso covering a wide range of management consulting, functional advice, administrative, technical, professional, and other supporting services relating to Esso's downstream business such as fuels marketing, refining and supply, etc			6	608
Chemical Regional Headquarters/Affiliate Service Agreement	<b>EMAPPL</b>	EMAPPL provides/receives services to/from Esso covering certain management consulting, functional advice, administrative, technical, professional, and other supporting services in connection with chemicals business such as accounting, legal, tax, human resources, office space, and clerical activities, computer network services and procurement services.				

Agreements	Parties/Relationship with the Company	Main Purposes	2008 Transaction Value (Million Baht)			
			Sales	Purchase	Service Income	Service Expenses
Master Service Agreement	ExxonMobil Global Services Company (" <b>EMGSC</b> ") EMGSC is an affiliate of EMC, which EMC directly holds 100% of shares in EMGSC	EMGSC provides Esso with advice and assistance relating to (i) information technology services (ii) procurement services (iii) real estate services and facilities services.				37
ExxonMobil Petroleum & Chemical Master Business Support Agreement	ExxonMobil Petroleum & Chemical (" <b>EMPC</b> ") EMPC is an affiliate of EMC, which EMC indirectly holds 100% of shares in EMPC	EMPC provides Esso variety of services relating to accounting and administrative services through personnel based out of business centers established outside of Thailand.				1
Sale Agreement	ExxonMobil Chemical Asia Pacific (" <b>EMCAP</b> *"), a division of EMAPPL EMCAP is an affiliate of EMC, which EMC indirectly holds 100% of shares in EMCAP	EMCAP sells or causes to be sold to Esso chemical products in such a volume as Esso nominates from time to time.		3,104		75
Sale Agreement (ISOM BZ) (spot basis)	<b>EMCAP</b>	Esso sells Isom Benzene to EMCAP				
EssoAir Service Agreement	ExxonMobil Aviation International Ltd. (" <b>EMA</b> ") EMA is an affiliate of EMC, which EMC indirectly holds 100% of shares in EMA	EMA provides Esso a wide range of marketing and technical assistance appropriate to Esso's aviation fuel business including solicitation of aviation sales and general advisory services and consultancy.				54
Inter Affiliate Marine Transportation Services Agreement	Standard Tankers Bahamas Ltd (" <b>STB</b> ") STB is an affiliate of EMC, which EMC indirectly holds 100% of shares in STB	STB provides services related to (i) vessel pool activities and transportation for purchasers' cargoes of crude oil, petroleum products, and chemicals (ii) chartering and transportation support services (iii) marine vetting services (iv) other supporting services related to the pool vessels as well as other marine transportation activities.		3,475		2

Agreements	Parties/Relationship with the Company	Main Purposes	2008 Transaction Value (Million Baht)			
			Sales	Purchase	Service Income	Service Expenses
Standard Research Agreement	ExxonMobil Research and Engineering Company ("EMRE") EMRE is an affiliate of EMC, which EMC directly holds 100% of shares in EMRE	Agreement is made for the purpose of (i) creation, acquisition and management of a body of technical information, technical services, and patent and copyright protection for the benefit of petroleum and chemical operations (ii) access to technical information and the use of patent and copyright protection (iii) engineering assistance and special research (iv) administer intellectual property and technical information acquired or made for the benefit of Esso.				672 <sup>(1)</sup>
Insurance Policy	Ancon Insurance Company, Inc ("ANCON") ANCON is an affiliate of EMC, which EMC indirectly holds 100% of shares in ANCON	ANCON, as the insurer, issues coverage under onshore property policy, third party liability policy, and marine cargo policy, including package products delivered via plane, marine and/or land transportation				140
Catalyst Lease Agreement	ExxonMobil Catalyst Technologies LLC ("EMCT") EMCT is an affiliate of EMC, which EMC indirectly holds 100% of shares in EMCT	EMCT, as a lessor, commits to supply and lease EM-4600, EM-1000 and EM-3200R catalysts to Esso				63
Petroleum Retail Products Trademark License Agreement	EMC EMC is the ultimate parent company of various affiliates and subsidiaries	EMC authorizes Esso to use Esso, Exxon, Esso Oval and Exxon Emblem trademarks in Thailand in association with the retail products.				
Trademark Cost Sharing Agreement	EMC	Esso participates in a trademark cost sharing agreement to maintain, enhance and develop the trademarks other than those under the Petroleum Retail Products Trademark License Agreement.				8
Clearing House Service Agreement	EMC	EMC to provide the service of operating the Trade Central Clearing House Sub-Account and other Central Clearing House Sub-Account for the purpose of facilitating efficient settlement and processing of transactions.				



Agreements	Parties/Relationship with the Company	Main Purposes	2008 Transaction Value (Million Baht)			
			Sales	Purchase	Service Income	Service Expenses
Service Agreement	ExxonMobil Hong Kong Limited (" <b>EMHKL</b> ") EMHKL is an affiliate of EMC, which EMC indirectly holds 100% of shares in EMHKL	EMHKL provides / receives services to/from Esso covering managerial, professional and administrative, and other operational advice relating to their overall corporate operations to Esso.				18
Service Agreement	ExxonMobil Catalyst Services Inc. (" <b>EMCSI</b> ") EMCSI is an affiliate of EMC, which EMC directly holds 100% of shares in EMCSI	EMCSI provides services including arranging for supply of precious metals; arranging for the fabrication of catalyst, the reclamation of precious metals from spent catalyst, and catalyst operations such as regeneration as well as consulting services relating to catalyst.				7
Service Agreement	ExxonMobil Chemical Company (" <b>EMCC</b> ") EMCC is a division of EMC	Esso provides certain services relating to marketing efforts in Thailand to EMCC.			2	
Others			1,921 <sup>(2)</sup>	256	0	239
			<b>29,218</b>	<b>184,168 <sup>(3)</sup></b>	<b>8</b>	<b>3,160</b>
<b>TOTAL (see note to financial statement no.33)</b>						
<i>(1) Baht 375 million paid to EMRE is classified as capital expenditures</i>						
<i>(2) There are no fixed term agreements in place. The prices are generally based on market rates on the transaction date or delivery date. These include marine fuel deliveries to marine customers via ExxonMobil Marine Limited (100% directly / indirectly owned by Exxon Mobil Corporation) of Baht 1,913 million.</i>						
<i>(3) Baht 540 million service expenses paid to Thai Petroleum Pipeline Company Limited is not included</i>						

Agreements	Parties	Main Purposes	2008 Transaction Value (Million Baht)			
			Loan Balance	Deposit Balance	Interest Expense	Interest Income
Financial Assistance						
Loan and Current Account Agreement	<b>EML</b>	Esso provides a loan commitment to EML with the maximum principal amount of Baht 3,000 million. In the event that money from EML is deposited in current account, Esso can make use of such fund and is required to pay interest for the deposited amount.		194		21
			<b>0</b>	<b>194</b>	<b>0</b>	<b>21</b>
<b>TOTAL (see note to financial statement no.33)</b>			<b>0</b>	<b>194</b>	<b>0</b>	<b>21</b>

# board of directors



1 **Mr. Daniel E. Lyons**  
Chairman

2 **Ms. Porntida Boonsa**  
Director

3 **Mr. Mark Ell Northcutt**  
Director

4 **Mr. Mongkolnimit Auacherdkul**  
Director and Member of  
Performance Evaluation Committee

5 **Mr. Kwok Yew Meng**  
Director

6 **Mr. Adisak Jangkamolkulchai**  
Director

7 **Mr. Somjate Saifon**  
Director

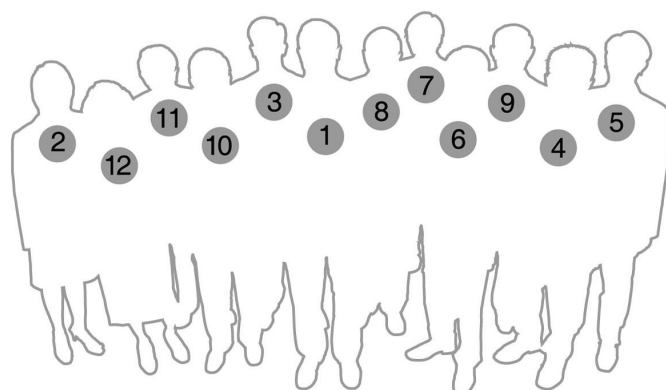
8 **Mr. Kurujit Nakornthap**  
Independent Director

9 **Mr. Wattana Chantarasorn**  
Director and Member of  
Performance Evaluation Committee

10 **Mr. Sompop Amatayakul**  
Independent Director and  
Chairman of Audit Committee

11 **Mr. Smit Tiemprasert**  
Independent Director, Chairman of  
Performance Evaluation Committee  
and Member of Audit Committee

12 **Ms. Wattanee Phanachet**  
Independent Director and  
Member of Audit Committee



## Mr. Daniel E. Lyons

Chairman

Age: 46

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### Education:

- M.BA, University of Chicago, USA

### Current Positions:

- Chairman and Managing Director, Esso (Thailand) Public Company Limited
- Chairman and Managing Director, ExxonMobil Limited

### Experience:

- **2004 - 2005** : Finance Manager, ExxonMobil Production Company, UK
- **2002 - 2003** : Finance Manager, ExxonMobil Development Company, USA

Records of violation of law\*: None

Family Relationship with Executives of the Company: None

## Ms. Porntida Boonsa

Director

Age: 42

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### Education:

- M.BA in Finance and Accounting, Wharton School, University of Pennsylvania, USA

### Current Positions:

- Director and Asia-Pacific Treasurer, ExxonMobil Asia Pacific Pte. Ltd., Singapore
- Director of various ExxonMobil Affiliates

### Experience:

- **2004 - 2005** : Project Executive, Exxon Mobil Corporation, USA
- **2003 - 2004** : Asia-Pacific Logistic Business Development Manager, ExxonMobil Asia Pacific Pte. Ltd., Singapore
- **2002 - 2003** : Planning Advisor, Refining & Supply, Esso (Thailand) Public Company Limited
- **2000 - 2002** : Treasurer, Esso (Thailand) Public Company Limited

Records of violation of law\*: None

Family Relationship with Executives of the Company:

Wife of Mr. Chai Jangsirikul  
(Controller, Esso (Thailand) Public Company Limited)

## Mr. Mark Ell Northcutt

Director

Age: 46

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### Education:

- B.Sc in Chemical Engineering, Texas Tech University, USA

### Current Positions:

- Refinery Manager, Esso (Thailand) Public Company Limited

### Experience:

- **2006 - 2008** : Project & Planning Executive Refining, ExxonMobil Refining & Supply Company, USA
- **2004 - 2006** : Manager Global Manufacturing, ExxonMobil Refining & Supply Company, USA
- **2001 - 2004** : Manager Process, Baton Rouge Refinery, ExxonMobil Refining & Supply Company, USA

Records of violation of law\*: None

Family Relationship with Executives of the Company: None

## Mr. Mongkolnimit Auacherdkul

Director and

Member of Performance Evaluation Committee

Age: 50

---

### Education:

- M.Sc in Mechanical Engineering, University of Cincinnati, USA

### Current Positions:

- Public Affairs Manager, Esso (Thailand) Public Company Limited

### Experience:

- **2006 - 2007** : Public Affairs Manager, ExxonMobil Limited
- **2003 - 2005** : Refinery Coordination Manager, Esso (Thailand) Public Company Limited
- **2001 - 2003** : Product Coordination Manager, Esso (Thailand) Public Company Limited

Records of violation of law\*: None

Family Relationship with Executives of the Company: None

## Mr. Kwok Yew Meng

Director

Age: 39

### Education:

- B.Social Sc in Economics,  
National University of Singapore, Singapore

### Current Positions:

- Retail Manager,  
Esso (Thailand) Public Company Limited

### Experience:

- **2007 - 2008** : Planning Manager, Sinopec SenMei (Fujian) Petroleum Company Limited, China
- **2004 - 2007** : Manager AP Retail Pricing, ExxonMobil Oil Singapore Pte. Ltd, Singapore
- **2001 - 2004** : Strategy Analyst, Exxon Mobil Corporation, USA

Records of violation of law\*: None

Family Relationship with Executives of the Company: None

## Mr. Adisak Jangkamolkulchai

Director

Age: 45

### Education:

- Ph.D in Chemical Engineering, University of Tulsa, USA

### Current Positions:

- Refinery Process Manager,  
Esso (Thailand) Public Company Limited

### Experience:

- **2005 - 2006** : Process Department Manager, Baytown Refinery, ExxonMobil Refining & Supply Company, USA
- **2003 - 2005** : Technical Department Manager, Baytown Refinery, ExxonMobil Refining & Supply Company, USA
- **2001 - 2003** : Asia-Pacific Refining Optimization Advisor, ExxonMobil Refining & Supply Company, USA

Records of violation of law\*: None

Family Relationship with Executives of the Company: None

## Mr. Somjate Saifon

Director

Age: 51

### Education:

- M.Engr, Asian Institute of Technology, Thailand

### Current Positions:

- Chemicals Manager,  
Esso (Thailand) Public Company Limited

### Experience:

- **2005 - 2007** : Director and Fluid Sales Manager, ExxonMobil Chemical (Thailand) Limited
- **2002 - 2005** : Chemical Manager of Thai Aromatics, Esso (Thailand) Public Company Limited

Records of violation of law\*: None

Family Relationship with Executives of the Company: None

## Mr. Kurujit Nakornthap

Independent Director

Age: 53

### Education:

- Ph.D in Petroleum Engineering,  
University of Oklahoma, USA

### Current Positions:

- Director-General, Department of Mineral Fuels,  
Ministry of Energy

### Experience:

- **2006 - 2008** : Deputy Permanent Secretary of the Ministry of Energy
- **2006 - 2006** : Deputy Director General of the Department of Mineral Fuels, Ministry of Energy
- **2004 - 2006** : Director of Bureau of Petroleum Operation and Coordination, Ministry of Energy
- **2000 - 2004** : Chief Executive Officer of the Malaysia-Thai Joint Authority (MTJA), Ministry of Industry

Records of violation of law\*: None

Family Relationship with Executives of the Company: None

## Mr. Wattana Chantarasorn

Director and  
Member of Performance Evaluation Committee  
Age: 61

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### Education:

- M.Sc in Chemical Engineering,  
Illinois Institute of Technology, USA

### Current Positions:

-

### Experience:

- **2006 - 2007** : Asia-Pacific Refining Advisor,  
ExxonMobil Limited
- **2004 - 2006** : Asia-Pacific Refining Business Advisor,  
Esso (Thailand) Public Company Limited
- **1997 - 2004** : Refinery Manager,  
Esso (Thailand) Public Company Limited

Records of violation of law\*: None

Family Relationship with Executives of the Company: None

## Mr. Sompop Amatayakul

Independent Director and Chairman of Audit Committee  
Age: 68

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### Education:

- Honorary Doctorate in Commerce,  
Thammasat University, Thailand
- Honorary Doctorate in Business Administration,  
National Institute of Development Administration, Thailand
- International Management Course, Columbia University, USA

### Current Positions:

- Vice Chairman and Chairman of Audit Committee, Saha Union PLC
- Director, Civil Service Commission
- Director, The Public Sector Development Commission
- Director and Audit Committee of 3 public companies
- Chairman, Institute of Management Education of Thailand (IMET)
- Vice President of the Thai Chamber of Commerce

### Experience: Before 2003

- Deputy Minister of Industry
- Chairman of the Board, Bangkok Metropolitan Bank PLC
- Chairman of the Board, The State Railway of Thailand
- General Manager, IBM Thailand Co.,Ltd.

Records of violation of law\*: None

Family Relationship with Executives of the Company: None

## Mr. Smit Tiemprasert

Independent Director, Chairman of Performance  
Evaluation Committee and Member of Audit Committee  
Age: 69

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### Education:

- M.Sc in Industrial Engineering and Management,  
Oklahoma State University, USA

### Current Positions:

-

### Experience:

- **2005 - 2007** : Advisor, Betagro Agro Group PLC
- **2001 - 2003** : Chief Operating Officer,  
Thai Petrochemical Industries PLC

Records of violation of law\*: None

Family Relationship with Executives of the Company: None

## Ms. Wattanee Phanachet

Independent Director and Member of Audit Committee  
Age: 71

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### Education:

- M.A. (Accounting), University of Alabama, USA
- Certified Public Accountant

### Current Positions:

- Independent Director and Audit Committee Member,  
Electricity Generating PLC
- Independent Director and Audit Committee Member,  
Capital Nomura Securities PLC
- Independent Director and Audit Committee Member,  
Thai Poly Acrylic PLC

### Experience:

- **2003 - 2006** : Member of the Committee on Curriculum  
Quality Guarantee of the Faculty of Commerce and  
Accountancy, Chulalongkorn University
- **1999 - 2005** : Independent Director and Audit  
Committee Member, Delta Electronics Thailand PLC

Records of violation of law\*: None

Family Relationship with Executives of the Company: None

# executive officers



1 Mr. Daniel E. Lyons (\*)  
Chairman and Managing Director

2 Mr. Mark Ell Northcutt (\*)  
Director and Refinery Manager

3 Mr. Mongkolnimit Auacherdkul (\*)  
Director and Public Affairs Manager

4 Mr. Kwok Yew Meng (\*)  
Director and Retail Manager

5 Mr. Adisak Jangkamolkulchai (\*)  
Director and Refinery Process Manager

6 Mr. Somjate Saifon (\*)  
Director and Chemicals Manager

7 Mr. Channarong Janjitmun  
Industrial and Wholesale Manager

8 Mr. Chai Jangsirikul  
Controller

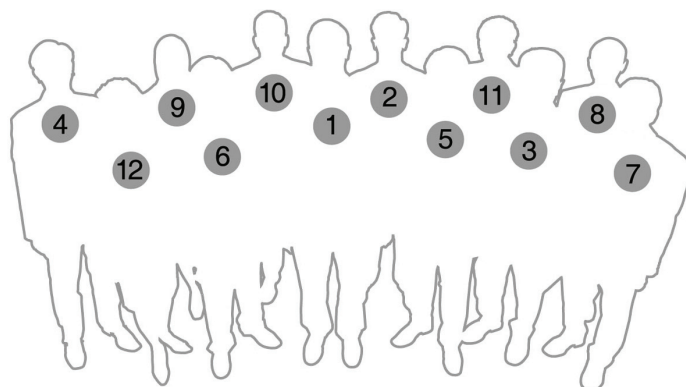
9 Ms. Ratrimani Pasiphol  
Treasurer

10 Mr. Zarko Pavlovic  
Lubricants Manager

11 Mr. Apichart Riamratanakorn  
Distribution Manager

12 Ms. Phantipa Rasananda  
Investor Relations Manager

(\*) see detail information in the “board of directors”



## Mr. Channarong Janjitmun

Industrial and Wholesale Manager

Age: 54

### Education:

- MBA, Thammasat University, Thailand

### Current Positions:

- Industrial and Wholesale Manager,  
Esso (Thailand) Public Company Limited

### Experience:

- **2004 - 2007** : Director,  
Esso (Thailand) Public Company Limited
- **2000 - 2007** : Industrial and Wholesale Manager,  
Esso (Thailand) Public Company Limited

Records of violation of law\*: None

Family Relationship with Executives of the Company: None

## Ms. Ratrimani Pasiphol

Treasurer

Age: 41

### Education:

- MBA, University of Washington, USA

### Current Positions:

- Treasurer, Esso (Thailand) Public Company Limited
- Treasurer, ExxonMobil Limited

### Experience:

- **2002 - 2004** : Assistant Treasurer, ExxonMobil Limited

Records of violation of law\*: None

Family Relationship with Executives of the Company: None

## Mr. Chai Jangsirikul

Controller

Age: 51

### Education:

- MBA, Thammasat University, Thailand

### Current Positions:

- Controller, Esso (Thailand) Public Company Limited
- Controller, ExxonMobil Limited

### Experience:

- **2005 - 2007** : L&S Controller Manager,  
Asia-Pacific Region,  
ExxonMobil Asia Pacific Pte. Ltd., Singapore
- **2002 - 2005** : Financial Accounting and Reporting  
Process Manager, ExxonMobil Limited

Records of violation of law\*: None

Family Relationship with Executives of the Company:

Husband of Ms. Porntida Boonsa (Director,  
Esso (Thailand) Public Company Limited)

## Mr. Zarko Pavlovic

Lubricants Manager

Age: 47

### Education:

- Bsc Mechanical Engineering,  
University of Belgrade, Serbia

### Current Positions:

- Lubricants Manager,  
Esso (Thailand) Public Company Limited

### Experience:

- **2005 - 2008** : India Cluster Sales Manager,  
ExxonMobil Lubricants Pvt Ltd., India

Records of violation of law\*: None

Family Relationship with Executives of the Company: None

## Mr. Apichart Riamratanakorn

Distribution Manger

Age: 51

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### Education:

- B.Engr in Mechanical Engineering,  
Chulalongkorn University, Thailand

### Current Positions:

- Distribution Manager,  
Esso (Thailand) Public Company Limited

### Experience:

- **2000 - 2004** : Maintenance Manager,  
Esso (Thailand) Public Company Limited

Records of violation of law\*: None

Family Relationship with Executives of the Company: None

## Ms. Phantipa Rasananda

Investor Relations Manager

Age: 54

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### Education:

- MBA, University of Missouri,  
Kansas City, USA

### Current Positions:

- Investor Relations Manager,  
Esso (Thailand) Public Company Limited
- Director, ExxonMobil Limited

### Experience:

- **2005 - 2008** : Business Support Center Area Manager,  
Bangkok and Shanghai, ExxonMobil Limited
- **2003 - 2005** : HR BSC Expansion Project Manager,  
ExxonMobil Limited

Records of violation of law\*: None

Family Relationship with Executives of the Company: None

\* This covers any of the following within the past 10 years:

- (1) a conviction under a criminal charge excluding conviction for traffic offences and minor charges;
- (2) being declared bankrupt or having assets controlled; or
- (3) being dismissed from government service or a state organization or agency for dishonest at work.





# statement of directors' responsibilities for financial reporting

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The accompanying consolidated financial statements of Esso (Thailand) Public Company Limited and its subsidiaries have been prepared in conformity with the requirements of the Public Limited Companies Act B.E. 2535, the Securities and Exchange Act B.E. 2535 and the Accounting Act B.E. 2543.

The Board of Directors is of the opinion that the financial statements have been prepared in a prudent manner and contain accurate and complete material information in respect of the financial condition, results of operations and cash flows of the Company and its subsidiaries. An effective internal control system has been established to safeguard assets and identify weaknesses to prevent fraud, unlawful conduct and irregularities. The appropriate accounting policies were consistently applied in accordance with generally accepted accounting principles and material information was adequately disclosed in the notes to the financial statements.

Mr. Daniel E Lyons  
Chairman and Managing Director  
Esso (Thailand) Public Company Limited

Financial Statements | Auditor's Report  
| Financial Statements  
| Notes to Financial Statements



# auditor's report



## To the Shareholders of Esso (Thailand) Public Company Limited

I have audited the accompanying consolidated and company balance sheets as at 31 December 2008 and 2007, and the related consolidated and company statements of income, changes in shareholders' equity and cash flows for the years then ended of Esso (Thailand) Public Company Limited (the "Company") and its subsidiaries (the "Group"), and of the Company, respectively. The Company's management is responsible for the correctness and completeness of information in these financial statements. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the consolidated and company financial statements referred to above present fairly, in all material respects, the consolidated and company financial position as at 31 December 2008 and 2007, and the consolidated and company results of operations, and cash flows for the years then ended of the Group and of the Company, respectively, in accordance with generally accepted accounting principles.

Prasan Chuaphanich

Certified Public Accountant (Thailand) No.3051  
PricewaterhouseCoopers ABAS Limited

Bangkok  
27 February 2009

# Balance Sheets

As at 31 December 2008 and 2007

(All amounts in Baht thousand unless otherwise stated)

Assets	Note	Consolidated		Company	
		2008	2007	2008	2007
<b>Current assets</b>					
Cash and cash equivalents	5	641,866	1,238,649	481,768	886,190
Short-term investments		66,099	170,908	66,099	170,908
Trade receivables, net	6	3,490,572	9,770,411	3,480,480	9,770,411
Trade receivables from a related party	33 f	-	-	464,858	1,215,477
Amounts due from related parties	33 f	41,730	10,376	74,220	33,680
Short-term loans to related parties	33 g	194,110	416,559	282,408	416,559
Inventories	7	12,724,110	20,869,317	12,465,681	20,661,247
Tax claim receivable	8	681,803	3,012,334	650,703	3,001,330
Other current assets	9	593,353	993,439	752,630	1,171,035
		<b>18,433,643</b>	<b>36,481,993</b>	<b>18,718,847</b>	<b>37,326,837</b>
<b>Non-current assets</b>					
Investments in subsidiaries and an associate	10	193,224	-	1,843,949	114,589
Available-for-sale financial assets	11	193,636	406,036	193,636	406,036
Long-term loans to related parties	33 g	-	-	1,612,415	1,393,598
Deferred income tax assets, net	12	7,120,200	3,880,939	6,913,161	3,687,597
Intangible assets	13	542,155	594,953	542,155	594,953
Property, plant and equipment	14	27,129,188	27,940,061	22,528,038	23,320,988
Prepaid rental and deferred charges	15	1,334,543	1,446,385	3,871,476	4,180,513
Other non-current assets		123,621	63,968	104,525	34,452
		<b>36,636,567</b>	<b>34,332,342</b>	<b>37,609,355</b>	<b>33,732,726</b>
<b>Total assets</b>		<b>55,070,210</b>	<b>70,814,335</b>	<b>56,328,202</b>	<b>71,059,563</b>

Director ..... 

The notes on pages 64 to 96 are an integral part of these consolidated and company financial statements.

# Balance Sheets

As at 31 December 2008 and 2007

(All amounts in Baht thousand unless otherwise stated)

Liabilities and shareholders' equity	Note	Consolidated		Company	
		2008	2007	2008	2007
<b>Current liabilities</b>					
Borrowings	16	27,971,499	23,710,000	27,971,499	23,710,000
Trade and other payables	18	2,338,196	3,409,895	2,213,642	3,261,828
Short-term loans from related parties	33 h	-	-	915	594,636
Amounts due to related parties	33 f	3,372,949	7,288,376	3,381,478	7,312,282
		<b>33,682,644</b>	<b>34,408,271</b>	<b>33,567,534</b>	<b>34,878,746</b>
<b>Non-current liabilities</b>					
Net liabilities in an associate	10	-	24,837	-	-
Long-term loans from related parties	33 h	-	-	5,890	6,243
Borrowings	16	-	11,000,000	-	11,000,000
Provision for pensions and employee benefits	19	736,126	680,968	736,126	680,968
Other non-current liabilities		231,600	305,545	231,599	276,988
		<b>967,726</b>	<b>12,011,350</b>	<b>973,615</b>	<b>11,964,199</b>
<b>Total liabilities</b>		<b>34,650,370</b>	<b>46,419,621</b>	<b>34,541,149</b>	<b>46,842,945</b>
<b>Shareholders' equity</b>					
Share capital					
Authorised share capital	20	17,110,007	17,110,007	17,110,007	17,110,007
Issued and paid-up share capital	20	17,075,181	12,877,218	17,075,181	12,877,218
Share premium	20	4,031,711	-	4,031,711	-
Retained earnings/(accumulated losses)					
Appropriated					
Legal reserve	22 a	343,997	343,997	343,997	343,997
Unappropriated		(1,146,842)	10,909,026	227,804	10,738,363
Fair value reserve	22 b	108,360	257,040	108,360	257,040
		<b>20,412,407</b>	<b>24,387,281</b>	<b>21,787,053</b>	<b>24,216,618</b>
<b>Minority interest</b>		<b>7,433</b>	<b>7,433</b>	<b>-</b>	<b>-</b>
<b>Total shareholders' equity</b>		<b>20,419,840</b>	<b>24,394,714</b>	<b>21,787,053</b>	<b>24,216,618</b>
<b>Total liabilities and shareholders' equity</b>		<b>55,070,210</b>	<b>70,814,335</b>	<b>56,328,202</b>	<b>71,059,563</b>

The notes on pages 64 to 96 are an integral part of these consolidated and company financial statements.

# Statements of Income

For the years ended 31 December 2008 and 2007

(All amounts in Baht thousand unless otherwise stated)

	Note	Consolidated		Company	
		2008	2007	2008	2007
Sales	23	222,233,538	199,903,772	220,995,766	198,727,638
Cost of sales	24	(226,392,806)	(184,855,547)	(225,623,090)	(184,089,957)
<b>Gross (loss)/profit</b>		<b>(4,159,268)</b>	<b>15,048,225</b>	<b>(4,627,324)</b>	<b>14,637,681</b>
Selling and administrative expenses	24	(4,873,990)	(4,425,307)	(4,373,359)	(3,955,804)
<b>(Loss)/profit from sales</b>		<b>(9,033,258)</b>	<b>10,622,918</b>	<b>(9,000,683)</b>	<b>10,681,877</b>
Other income		87,585	110,626	83,627	78,744
<b>Operating (loss)/profit</b>		<b>(8,945,673)</b>	<b>10,733,544</b>	<b>(8,917,056)</b>	<b>10,760,621</b>
Other non-operating income	17	-	430,581	-	430,581
Share of profit from an associate	10	218,061	183,880	-	-
Reversal of impairment provision on investment in an associate	10	-	-	1,729,360	-
<b>(Loss)/profit before interest and income tax</b>		<b>(8,727,612)</b>	<b>11,348,005</b>	<b>(7,187,696)</b>	<b>11,191,202</b>
Interest income		54,953	146,140	159,625	235,216
Interest expense		(1,243,821)	(3,447,643)	(1,333,483)	(3,549,104)
<b>(Loss)/profit before income tax</b>		<b>(9,916,480)</b>	<b>8,046,502</b>	<b>(8,361,554)</b>	<b>7,877,314</b>
Income tax credit/(expense)	25	3,052,728	(992,464)	3,042,282	(997,376)
<b>(Loss)/profit for the year</b>		<b>(6,863,752)</b>	<b>7,054,038</b>	<b>(5,319,272)</b>	<b>6,879,938</b>
<b>Attributable to:</b>					
Equity holders of the Company		(6,864,581)	7,053,133	(5,319,272)	6,879,938
Minority interest		829	905	-	-
		<b>(6,863,752)</b>	<b>7,054,038</b>	<b>(5,319,272)</b>	<b>6,879,938</b>
<b>(Loss)/earnings per share for (loss)/profit attributable to equity holders of the Company</b>					
(expressed in Baht per share)					
<b>Basic</b>	<b>26</b>	<b>(2.16)</b>	<b>6.57</b>	<b>(1.68)</b>	<b>6.41</b>

The notes on pages 64 to 96 are an integral part of these consolidated and company financial statements.

# Statements of Changes in Shareholders' Equity

For the years ended 31 December 2008 and 2007

(All amounts in Baht thousand unless otherwise stated)

Consolidated									
Note	Issued and paid-up share capital	Share premium	Retained earnings/ (accumulated losses)			Fair value reserve	Minority interests	Total	Total
			Appropriated legal reserve	Unappropriated	Fair value reserve				
<b>Balance at 1 January 2008</b>	12,877,218	-	343,997	10,909,026	257,040	24,387,281	7,433	24,394,714	
Net loss for the year	-	-	-	(6,864,581)	-	(6,864,581)	829	(6,863,752)	
Issuance of new shares	4,197,963	4,031,711	-	-	-	8,229,674	-	8,229,674	
Dividends paid	-	-	-	(5,191,287)	-	(5,191,287)	(829)	(5,192,116)	
Fair value losses on available-for-sale financial assets, net of tax	-	-	-	-	(148,680)	(148,680)	-	(148,680)	
<b>Balance at 31 December 2008</b>	<b>17,075,181</b>	<b>4,031,711</b>	<b>343,997</b>	<b>(1,146,842)</b>	<b>108,360</b>	<b>20,412,407</b>	<b>7,433</b>	<b>20,419,840</b>	
<b>Balance at 1 January 2007</b>	5,100,000	3,685,554	11,429	(12,719,875)	285,000	(3,637,892)	108,981	(3,528,911)	
Issuance of new shares	21,000,000	-	-	-	-	21,000,000	-	21,000,000	
Reduction of retained losses	(13,222,782)	(3,685,554)	(11,429)	16,919,765	-	-	-	-	
Additional investment in subsidiaries	-	-	-	-	-	-	(101,603)	(101,603)	
Net profit for the year	-	-	-	7,053,133	-	7,053,133	905	7,054,038	
Appropriation during the year	-	-	343,997	(343,997)	-	-	-	-	
Dividends paid	-	-	-	-	-	-	(850)	(850)	
Fair value losses on available-for-sale financial assets, net of tax	-	-	-	-	(27,960)	(27,960)	-	(27,960)	
<b>Balance at 31 December 2007</b>	<b>12,877,218</b>	<b>-</b>	<b>343,997</b>	<b>10,909,026</b>	<b>257,040</b>	<b>24,387,281</b>	<b>7,433</b>	<b>24,394,714</b>	

The notes on pages 64 to 96 are an integral part of these consolidated and company financial statements.

# Statements of Changes in Shareholders' Equity

For the years ended 31 December 2008 and 2007

(All amounts in Baht thousand unless otherwise stated)

Company							
	Note	Issued and paid-up share capital	Share premium	Retained earnings/ (accumulated losses)		Fair value reserve	Total
				Appropriated legal reserve	Unappropriated		
<b>Balance at 1 January 2008</b>		12,877,218	-	343,997	10,738,363	257,040	24,216,618
Net loss for the year		-	-	-	(5,319,272)	-	(5,319,272)
Issuance of new shares	20	4,197,963	4,031,711	-	-	-	8,229,674
Dividend paid	21	-	-	-	(5,191,287)	-	(5,191,287)
Fair value losses on available-for-sale financial assets, net of tax	22 b	-	-	-	-	(148,680)	(148,680)
<b>Balance at 31 December 2008</b>		<b>17,075,181</b>	<b>4,031,711</b>	<b>343,997</b>	<b>227,804</b>	<b>108,360</b>	<b>21,787,053</b>
<b>Balance at 1 January 2007</b>		5,100,000	3,685,554	11,429	(12,717,343)	285,000	(3,635,360)
Issuance of new shares	20	21,000,000	-	-	-	-	21,000,000
Reduction of retained losses	20, 22 a	(13,222,782)	(3,685,554)	(11,429)	16,919,765	-	-
Net profit for the year		-	-	-	6,879,938	-	6,879,938
Appropriation during the year	22 a	-	-	343,997	(343,997)	-	-
Fair value losses on available-for-sale financial assets, net of tax	22 b	-	-	-	-	(27,960)	(27,960)
<b>Balance at 31 December 2007</b>		<b>12,877,218</b>	<b>-</b>	<b>343,997</b>	<b>10,738,363</b>	<b>257,040</b>	<b>24,216,618</b>

The notes on pages 64 to 96 are an integral part of these consolidated and company financial statements.



# Statements of Cash Flows

For the years ended 31 December 2008 and 2007

(All amounts in Baht thousand unless otherwise stated)

	Note	Consolidated		Company	
		2008	2007	2008	2007
<b>Cash flows from operating activities</b>					
Cash generated from operations	27	5,359,160	6,554,437	6,404,533	6,527,779
Interest paid		(1,246,309)	(18,883,967)	(1,344,939)	(18,987,347)
Income tax paid		(40,233)	(25,074)	-	-
<b>Net cash generated from/(used in) operating activities</b>		<b>4,072,618</b>	<b>(12,354,604)</b>	<b>5,059,594</b>	<b>(12,459,568)</b>
<b>Cash flows from investing activities</b>					
Net proceeds from short-term loans to related parties	33 g	222,449	383,430	134,151	384,310
Net payments of long-term loans to subsidiaries	33 g	-	-	(218,817)	(216,444)
Purchase of intangible assets	13	-	(69,319)	-	(69,319)
Purchase of property, plant and equipment	14	(1,163,925)	(698,776)	(1,163,925)	(698,776)
Payment for investment in subsidiaries	10	-	(15,823)	-	(15,823)
Dividend received from subsidiaries		-	-	-	6,000
Interest received		54,952	150,537	160,697	236,383
Proceeds from disposals of property, plant and equipment	27	37,596	41,875	37,596	41,875
Proceeds from disposals of intangible assets	13	-	1,744	-	1,744
Net cash acquired from business transfer	31	-	158,261	-	158,261
<b>Net cash used in investing activities</b>		<b>(848,928)</b>	<b>(48,071)</b>	<b>(1,050,298)</b>	<b>(171,789)</b>
<b>Cash flows from financing activities</b>					
Net proceeds from issuance of ordinary shares	20	8,110,144	17,318,549	8,110,144	17,318,549
Net (repayments of)/proceeds from borrowings	16	(6,745,000)	26,550,000	(6,745,000)	26,550,000
Net proceeds from/(repayments of) short-term loans from related parties	33 h	-	173,348	(593,721)	307,826
Repayments of long-term loans from related parties	33 h	-	(36,064,768)	(353)	(36,067,586)
Repayments of obligations under finance lease		-	(460,570)	-	(460,570)
Dividends paid to equity holders of the Company	21	(5,191,287)	-	(5,191,287)	-
Dividends paid to minority interests		(829)	(850)	-	-
<b>Net cash (used in)/generated from financing activities</b>		<b>(3,826,972)</b>	<b>7,515,709</b>	<b>(4,420,217)</b>	<b>7,648,219</b>
<b>Net decrease in cash and cash equivalents and bank overdrafts</b>					
		<b>(603,282)</b>	<b>(4,886,966)</b>	<b>(410,921)</b>	<b>(4,983,138)</b>
Cash and cash equivalents and bank overdrafts at the beginning of the year	5	1,238,649	6,125,615	886,190	5,869,328
<b>Cash and cash equivalents and bank overdrafts at the end of the year</b>	<b>5</b>	<b>635,367</b>	<b>1,238,649</b>	<b>475,269</b>	<b>886,190</b>

The notes on pages 64 to 96 are an integral part of these consolidated and company financial statements.

# Notes to the Consolidated and Company Financial Statements

For the years ended 31 December 2008 and 2007

(All amounts in Baht thousand unless otherwise stated)

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## 1 General information

Esso (Thailand) Public Company Limited ("the Company") is a public limited company incorporated and domiciled in Thailand. The address of its registered office is 3195/17-29 Rama IV Road, Klongton, Klongtoey, Bangkok, 10110.

The Company and its subsidiaries (together "the Group") are involved in the refining and marketing of petroleum products as well as in the operation of retail service stations. The Group operates a refinery and chemicals manufacturing plant in Sri Racha, Thailand. The Group also operates distribution facilities and oil terminals throughout Thailand. The Group's products are sold through a network of retail service stations, directly to industrial customers and through export. Additionally, following the acquisition of ExxonMobil Chemical (Thailand) Limited in September 2007, the Group is involved in the sale of chemicals products to both domestic and overseas customers.

The Company is listed on the Stock Exchange of Thailand ("SET"). The details of the initial public offering and commencement of trading on the SET are set out in Note 20.

The Company is a member of the ExxonMobil Group and is ultimately controlled by Exxon Mobil Corporation, a company incorporated in the United States of America.

These consolidated and company financial statements were authorised for issue by the board of directors on 27 February 2009.

## 2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated and company financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

### 2.1 Basis of preparation

The consolidated and company financial statements have been prepared in accordance with Thai generally accepted accounting principles ("GAAP") under the Accounting Act B.E. 2543, being those Thai Accounting Standards issued under the Accounting Professions Act B.E. 2547, and the financial reporting requirements of the Securities and Exchange Commission under the Securities and Exchange Act B.E. 2535. The Group has early adopted prior to its effective date, Thai Accounting Standard No. 56 "Accounting for Income Taxes".

The consolidated and company financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets.

The preparation of financial statements in conformity with Thai GAAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated and company financial statements are disclosed in Note 3.

As at 31 December 2008, the current liabilities of the Group and of the Company exceeded the current assets by approximately Baht 15,249 million and Baht 14,849 million, respectively, and for the year ended on that date, the Group and the Company recorded net loss of approximately Baht 6,864 million and Baht 5,319 million, respectively. As also discussed in Note 30.3, the Group currently has adequate financing sources to enable the payment of liabilities as and when they become due as follows: (1) uncommitted borrowing facilities from related companies and third parties in the amount of Baht 63,234 million to fund the payment of liabilities, and (2) the Group has also received an approval from the Securities and Exchange Commission to offer for sale Baht 8,000 million of bills of exchange in a revolving program. Accordingly, the consolidated and company financial statements have been prepared on a going concern basis and do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or to amounts or classification of liabilities that may be necessary if the going concern basis of preparing the consolidated and company financial statements is not appropriate.

Where necessary, comparative figures for the statements of cash flows have been adjusted to conform with changes in presentation in the current year.

An English version of the consolidated and company financial statements has been prepared from the statutory financial statements that are in the Thai language. In the event of a conflict or a difference in interpretation between the two languages, the Thai language statutory financial statements shall prevail.

## 2.2 New accounting standard and amendments to accounting standards

### (a) New accounting standard and amendments to accounting standards effective in 2008

During 2007 and 2008, the Federation of Accounting Professions ("FAP") has announced new standard and amendments to existing standards. These standards are mandatory for accounting periods beginning on or after 1 January 2008 with the exception of TAS 29 which is effective for leases entered into on, or after, 1 January 2008. These standards are relevant to the Group:

#### **New Standard**

- TAS 51 Intangible Assets

#### **Amendments to Standards**

- TAS 25 Cash Flow Statements
- TAS 29 Leases
- TAS 31 Inventories
- TAS 33 Borrowing Costs
- TAS 35 Presentation of Financial Statements
- TAS 39 Accounting Policies, Changes in Accounting Estimates and Errors
- TAS 41 Interim Financial Reporting
- TAS 43 Business Combinations
- TAS 49 Construction Contracts

The Group's management has determined these standards did not significantly impact the financial statements being presented with the exception of revisions to TAS 35 which require additional information in respect of critical accounting estimates and judgments to be provided (Note 3).

### (b) Amendments to Accounting Standards effective in 2009

The following standards have been revised and are mandatory for accounting periods beginning on or after 1 January 2009 and have not been early adopted by the Group:

## Revised Standards

- TAS 36 Impairment of Assets
- TAS 54 Non-Current Assets Held for Sale and Discontinued Operations

The Group will apply these standards from 1 January 2009. The Group's management has determined that the revised standards will not significantly impact the financial statements being presented.

## 2.3 Consolidation

### (a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which the control is transferred to the Group. They are de-consolidated from the date that the control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group, including those under common control. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the statements of income.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed, where necessary, to ensure consistency with the policies adopted by the Group.

In the Company's separate financial statements, investments in subsidiaries are reported using the cost method.

### (b) Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the statements of income.

### (c) Associates

Associates are all entities over which the Group has significant influence but not the ability to govern the financial and operating policies, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost.

The Group's share of its associate's post-acquisition profits or losses is recognised in the consolidated statement of income, and its shares of post-acquisition movements in reserves are recognised in equity. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate, or is committed to providing continued financial support.

In the Company's separate financial statements, the investment in an associate is reported using the cost method.

Unrealised gains on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the associate have been changed, where necessary, to ensure consistency with the policies adopted by the Group.

## 2.4 Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

## 2.5 Investments

### (a) Short-term investments

Short-term investments represent bills of exchange, which are accepted as payment in settlement of customers' accounts, and are carried at face value. The bills of exchange on hand at the balance sheet date are expected to be held to maturity and are classified as such in the financial statements. In cases where the carrying value of the bills is less than their recoverable amount, an impairment loss is charged to the consolidated and company statements of income.

### (b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Investments are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value based on the quoted bid price on the Stock Exchange of Thailand.

Unrealised gains or losses arising from changes in the fair value of investments classified as available-for-sale are recognised, net of tax, in equity. When investments classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated and company statements of income as part of other income or costs. Dividends on available-for-sale financial assets are recognised in the consolidated and company statements of income as part of other income when the Group's and Company's right to receive payment is established.

## 2.6 Trade receivables

Trade receivables are carried at original invoice amount and subsequently measured at the invoice amount less allowance for impairment. An allowance for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the allowance is the difference between the carrying amount and the amount expected to be collectible. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of income within 'selling and administrative expenses'. Subsequent recoveries of accounts previously written-off are credited against 'selling and administrative expenses' in the statement of income.

## 2.7 Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined under the following methods:

- |                                    |                            |
|------------------------------------|----------------------------|
| • Crude oil and petroleum products | First-in, first-out method |
| • Chemical products                | First-in, first-out method |
| • Materials and supplies           | Average unit cost method   |
| • Other merchandise                | Average unit cost method   |

Purchase cost includes the purchase price and costs directly attributable to the acquisition of the inventory, such as import duties and transportation charges, less all attributable discounts, allowances or rebates. The cost of finished goods is primarily comprised of raw materials, transportation costs, direct labour, and direct manufacturing expenditure. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Allowance is made, where necessary, for obsolete, slow-moving and defective inventories.

## 2.8 Current and deferred income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in the statements of income, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated and company financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

## 2.9 Intangible assets

### (a) Royalties and licenses

Acquired royalties and licenses are shown at historical cost. Royalties and licenses have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight line method to allocate the cost of royalties and licenses over their estimated useful lives (5 to 20 years).

### (b) Computer software

Acquired computer software licenses are capitalised on the basis of costs incurred to acquire and bring to use the specific software. Costs associated with developing or maintaining computer software programs are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and which will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Costs include the software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised over their estimated useful lives (5 to 15 years).

## 2.10 Property, plant and equipment

Land is stated at historical cost. All other property, plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statements of income during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the cost of each asset, except for land which is considered to have an indefinite life, to its residual value over its estimated useful life, as follows:

Buildings	20 years
Plant and equipment	3 to 20 years

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.11).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'selling and administrative expenses' and 'other income' in the statements of income.

Net borrowing costs that are directly attributable to finance the construction of projects are capitalised as part of the cost of the project and depreciated over the useful life of the related asset.

## 2.11 Impairment of non-financial assets

Assets that have an indefinite useful life, for example land, are not subject to depreciation or amortisation and are tested annually for impairment. Assets that are subject to depreciation, or amortisation, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

## 2.12 Leases - where the Group is the lessee

The Group leases certain property, plant or equipment. Leases of property, plant and equipment, where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in finance lease liabilities. The interest element of the finance cost is charged to the consolidated and company statements of income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases, net of any incentives received from the lessor, are charged to the statements of income on a straight-line basis over the period of the lease.

## 2.13 Borrowings

Borrowings are recognised initially at contractual amounts, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost with any difference between the proceeds, net of transaction costs, and the redemption value being recognised in the consolidated and company statements of income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

## 2.14 Provision for pensions and employee benefits

The Group operates a Provident Fund that is a defined contribution scheme in accordance with the Provident Fund Act B.E. 2530. The Provident Fund is funded by payments from employees and by the Group. Contributions to the Provident Fund are charged to the consolidated and company statements of income in the year to which they relate.

In addition, the Group operates Employee Separation Benefit and Service Allowance Plans. Entitlement to these benefits is based on a minimum service period, final month's salary and the plan provisions.

The Group provides for its contractual liabilities for payments to employees in accordance with the retirement laws and regulations of Thailand. The benefit is provided based on years of service and the estimated remuneration at retirement.

## 2.15 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events such that it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset at the time when reimbursement is virtually certain.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

## 2.16 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new shares are shown in equity as a deduction, net of tax, from the proceeds.

## 2.17 Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using Thai Baht. The company and consolidated financial statements are presented in Thai Baht.

Foreign currency transactions are translated into the presentation currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated and company statements of income.

## 2.18 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sales of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below.

### (a) Sales of goods

Sales of goods are recognised at the time when the risks and rewards of ownership have passed to the buyer which is generally at the point of delivery.



#### (b) Sales of services

The Group receives rental income and franchise fees from dealers who operate branded retail stations. Revenue is recognised in the period in which the services are provided.

#### (c) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

#### (d) Dividend income

Dividend income is recognised when the right to receive payment is established.

When inventories are exchanged or swapped for inventories which are of a similar nature, and value, the exchange is not considered a transaction which generates revenue.

### 2.19 Dividend distribution

Dividend distributions to the Company's shareholders are recognised as a liability in the consolidated and company financial statements in the period in which the dividends are approved by the Company's shareholders.

### 2.20 Financial instruments

Financial assets carried on the balance sheet include cash and cash equivalents, short-term investments, trade receivables, trade receivables from a related party, amounts due from related parties, loans to related parties, tax claim receivable, and other assets. Financial liabilities carried on the balance sheet include borrowings, trade and other payables, amounts due to related parties, loans from related parties, and other liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item where applicable.

### 2.21 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

## 3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### 3.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, not necessarily equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### (a) Recognition of deferred tax assets associated with tax losses carried forward

A deferred tax asset is recognised to the extent it is probable that it will be utilised. Such an assessment is based upon (1) management's review of forecast financial information for at least five years, and (2) management have assessed it to be probable that the Group will generate taxable income sufficient to fully utilise the tax losses that exist.

## 3.2 Critical judgments in applying the entity's accounting policies

### (a) Fair value of investment in an associate

The investment in an associate is reported using the cost method in the company financial statements with a provision for impairment recognised in previous year as the cost of the investment in an associate exceeded the recoverable amount. Following a combination of capital restructuring of the associate and an improving long-term outlook, management made an assessment as to whether the impairment provision should be reversed. In making this assessment management produced a five-year cashflow and financial forecast. Following a review of these projections, management concluded that the entire impairment previously recognized should be reversed in the current year (Note 10).

### (b) Contingent liabilities

The Group has not recorded any provision relating to the litigation disclosed in Note 28 despite unfavourable verdicts in both the Trial Court in 2004, and the Appeal Court in July 2008. The Company continues to deny the alleged wrongdoing and disagrees with the Courts' conclusions. Management have reviewed the case with outside counsel and believes that no provision is necessary based on the facts of the case. As a result of this process management appealed the judgment to the Supreme Court on 29 September 2008.

## 4 Segmental information

As of 31 December 2008, the Group is organised into two main business segments:

- Downstream, which includes the refining and marketing of petroleum products as well as, the operation of retail service stations; and,
- Petrochemicals, which includes the manufacturing and marketing of chemical products.

Historically, inter-segment transfers or transactions were priced on a cost basis. However, following expiry of a tax holiday granted to the Group's aromatics business on 10 September 2007, inter-segment transactions are priced under normal commercial terms and conditions that would also be available to unrelated third parties.

The segment information for the year ended 31 December 2008 are as follows:

	Downstream	Petrochemicals	Group
Total segment revenue	234,937,553	39,140,645	274,078,198
Inter-segment revenue	(31,309,616)	(20,535,044)	(51,844,660)
Revenue	203,627,937	18,605,601	222,233,538
<b>Segment result</b>	<b>(7,169,327)</b>	<b>(1,863,931)</b>	<b>(9,033,258)</b>
<b>Segment fixed assets</b>	<b>20,208,780</b>	<b>6,920,408</b>	<b>27,129,188</b>

The segment information for the year ended 31 December 2007 are as follows:

	Downstream	Petrochemicals	Group
Total segment revenue	204,435,578	33,246,638	237,682,216
Inter-segment revenue	(23,337,833)	(14,440,611)	(37,778,444)
Revenue	181,097,745	18,806,027	199,903,772
<b>Segment result</b>	<b>8,969,943</b>	<b>1,652,975</b>	<b>10,622,918</b>
<b>Segment fixed assets</b>	<b>20,460,194</b>	<b>7,479,867</b>	<b>27,940,061</b>

## 5 Cash and cash equivalents

	Consolidated		Company	
	2008	2007	2008	2007
Cash at bank and on hand	641,866	1,238,649	481,768	886,190

The interest rate on cash at bank averaged 2% (2007: 3%).

Cash, cash equivalents and bank overdrafts include the following for the purposes of the statements of cash flows:

	Consolidated		Company	
	2008	2007	2008	2007
Cash at bank and on hand	641,866	1,238,649	481,768	886,190
Bank overdrafts (Note 16)	(6,499)	-	(6,499)	-
	<b>635,367</b>	<b>1,238,649</b>	<b>475,269</b>	<b>886,190</b>

## 6 Trade receivables, net

	Consolidated		Company	
	2008	2007	2008	2007
Trade receivables, gross	3,554,763	9,888,462	3,544,671	9,888,462
Less: Allowance for impairment of trade receivables	(64,191)	(118,051)	(64,191)	(118,051)
<b>Trade receivables, net</b>	<b>3,490,572</b>	<b>9,770,411</b>	<b>3,480,480</b>	<b>9,770,411</b>

Outstanding trade receivables, as at 31 December 2008 and 31 December 2007, are analysed as follows:

	Consolidated		Company	
	2008	2007	2008	2007
Current	3,470,823	9,725,100	3,460,731	9,725,100
Overdue:				
- Less than 3 months	15,322	38,424	15,322	38,424
- 3 to 6 months	3,652	2,862	3,652	2,862
- 6 to 12 months	2,447	1,226	2,447	1,226
- Over 12 months	62,519	120,850	62,519	120,850
	<b>3,554,763</b>	<b>9,888,462</b>	<b>3,544,671</b>	<b>9,888,462</b>
Less: Allowance for impairment of trade receivables	(64,191)	(118,051)	(64,191)	(118,051)
	<b>3,490,572</b>	<b>9,770,411</b>	<b>3,480,480</b>	<b>9,770,411</b>

## 7 Inventories

	Consolidated		Company	
	2008	2007	2008	2007
Crude oil	5,621,340	8,519,027	5,621,340	8,519,027
Petroleum products	5,534,848	10,625,145	5,388,163	10,523,455
Chemical products	868,567	1,062,854	868,567	1,062,854
Materials and supplies	579,011	548,896	579,011	548,896
Other merchandise	120,344	113,395	8,600	7,015
	<b>12,724,110</b>	<b>20,869,317</b>	<b>12,465,681</b>	<b>20,661,247</b>

Petroleum products and chemical products of Baht 2,098,686 thousand and Baht 547,738 thousand, (2007: nil) respectively, are carried at net realisable value, this being lower than cost.

The provisions of the Oil Trading Act B.E. 2543 require the Group to maintain certain minimum levels of inventory at all times. As at 31 December 2008, the value of this inventory amounted to Baht 6,310,050 thousand (2007: Baht 13,409,331 thousand).

## 8 Tax claim receivable

The tax claim receivable primarily related to value-added tax claims which are expected to be refunded within 12 months. The Group received value-added tax refund of Baht 2,300 million in 2008.

## 9 Other current assets

	Consolidated		Company	
	2008	2007	2008	2007
Accounts receivable - other	199,000	190,900	161,082	171,301
Prepaid rental and deferred charges	394,353	802,539	591,548	999,734
	<b>593,353</b>	<b>993,439</b>	<b>752,630</b>	<b>1,171,035</b>

Prepaid rental and deferred charges primarily relate to prepaid excise tax and the short-term portion of rental prepayments on service stations.

## 10 Investments in subsidiaries and an associate

The movements in investments in subsidiaries and an associate are as follows:

	Consolidated		Company	
	2008	2007	2008	2007
At 1 January	(24,837)	(208,717)	114,589	98,766
Share of profit from an associate	218,061	183,880	-	-
Reversal of impairment provision on investment in an associate	-	-	1,729,360	-
Acquisition of subsidiaries	-	-	-	15,823
<b>At 31 December</b>	<b>193,224</b>	<b>(24,837)</b>	<b>1,843,949</b>	<b>114,589</b>

Following review of an impairment provision previously booked in respect of an investment in an associate, management concluded that it was appropriate to fully reverse this provision in the company financial statement based on an assessment of projected future cash flows (Note 3.2 (a)).

### 10.1 Subsidiaries

The principal subsidiaries, all of whom are incorporated and domiciled in Thailand, are:

	Business	Cost method		% Ordinary share ownership	
		2008	2007	2008	2007
Mobil Enterprises (Thailand) Limited	Lubes and Specialties	833	833	100.00	100.00
Industry Promotion Enterprises Limited	Real Estate Leasing	51,484	51,484	100.00	100.00
United Industry Development Company Limited and its subsidiaries	Real Estate Leasing	58,939	58,939	100.00	100.00
- Pacesetter Enterprises Limited	Real Estate Leasing	3,333	3,333	99.99	99.99
- Thai C-Center Company Limited	Service Station Operator	-	-	99.99	99.99

The ownership percentages detailed above include the effects of both direct and indirect ordinary shareholdings, but excludes preference shares. The Company does not own any of the preference shares issued by these subsidiaries, but has the ability to govern the financial and operating policies of each subsidiary.

In 2007, the Company purchased 15,666 additional ordinary shares in United Industry Development Company Limited for Baht 15,823 thousand, reflecting the fair value of the share of net assets acquired.

## 10.2 Associate

The Company holds a 20.78% interest in an associate, Thai Petroleum Pipeline Company Limited ("Thappline"), which is incorporated and domiciled in Thailand with its primary business activity being the operation of a petroleum pipeline business.

As a result of Thailand's flotation of the Baht on 2 July 1997, Thappline incurred foreign exchange losses on borrowings denominated in US Dollars which caused the Group's share of Thappline's cumulative losses to exceed its equity investment. The Group continued to recognise its share of accumulated losses on the basis that it was committed to providing on-going financial support.

The Group's share of the results of its associate, which is unlisted, and its aggregated assets and liabilities, are as follows:

	Consolidated	
	2008	2007
Assets	1,787,274	1,831,887
Liabilities	(1,594,050)	(1,856,724)
<b>Net assets/(liabilities)</b>	<b>193,224</b>	<b>(24,837)</b>
Revenues	529,162	495,811
<b>Net profit</b>	<b>218,061</b>	<b>183,880</b>

## 11 Available-for-sale financial assets

	Consolidated and Company	
	2008	2007
At 1 January	406,036	317,836
Additions	-	6,000
Unrealised (loss)/gain recognised in equity (Note 22b)	(212,400)	82,200
<b>At 31 December</b>	<b>193,636</b>	<b>406,036</b>

Available-for-sale financial assets consist primarily of an investment in marketable securities of Bangkok Aviation Fuel Services Public Company Limited (BAFS) which is listed on the Stock Exchange of Thailand.

## 12 Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes issued by the same taxation authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated and company balance sheets:

	Consolidated		Company	
	2008	2007	2008	2007
<b>Deferred tax assets:</b>				
- Deferred tax asset to be recovered after more than 12 months	5,540,340	1,882,844	5,333,301	1,697,757
- Deferred tax asset to be recovered within 12 months	1,626,300	2,108,255	1,626,300	2,100,000
	<b>7,166,640</b>	<b>3,991,099</b>	<b>6,959,601</b>	<b>3,797,757</b>
<b>Deferred tax liabilities:</b>				
- Deferred tax liability to be recovered after more than 12 months	(46,440)	(110,160)	(46,440)	(110,160)
<b>Deferred tax assets, net</b>	<b>7,120,200</b>	<b>3,880,939</b>	<b>6,913,161</b>	<b>3,687,597</b>

Deferred income taxes are calculated on all temporary differences, under the liability method, using the statutory tax rate of 30% in both years presented.

The gross movement on the deferred income tax account is as follows:

	Consolidated		Company	
	2008	2007	2008	2007
At 1 January	3,880,939	4,980,221	3,687,597	4,795,133
Credited/(Charged) to the statements of income (Note 25)	3,056,010	(989,122)	3,042,313	(997,376)
Tax on IPO costs credited directly to equity	119,531	-	119,531	-
Tax credited/(charged) directly to equity (Note 22b)	63,720	(110,160)	63,720	(110,160)
<b>At 31 December</b>	<b>7,120,200</b>	<b>3,880,939</b>	<b>6,913,161</b>	<b>3,687,597</b>

The transaction costs relating to the IPO of Baht 398,436 thousand (Note 20) can be utilised to offset taxable income in the future and on this basis a deferred income tax asset of Baht 119,531 thousand is recognised.

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Consolidated				
	Credited/(Charged)		(Charged)/ Credited		At 31 December 2008
	At 1 January 2007	to Statements of Income/ Equity	At 31 December 2007	to Statements of Income/ Equity	
<b>Deferred tax assets</b>					
Depreciation	18,947	588,840	607,787	(58,647)	549,140
Pensions and employee benefits	296,315	23,570	319,885	31,861	351,746
Tax losses carried forward	-	2,772,196	2,772,196	3,236,128	6,008,324
Deferred gain on sale and leaseback transaction	1,147,688	(1,147,688)	-	-	-
Interest on zero coupon bonds	2,834,337	(2,834,337)	-	-	-
Others	682,934	(391,703)	291,231	(33,801)	257,430
<b>Deferred tax assets</b>	<b>4,980,221</b>	<b>(989,122)</b>	<b>3,991,099</b>	<b>3,175,541</b>	<b>7,166,640</b>
<b>Deferred tax liabilities</b>					
Unrealised gain on available-for-sale financial assets (Note 22b)	-	(110,160)	(110,160)	63,720	(46,440)
<b>Deferred tax liabilities</b>	<b>-</b>	<b>(110,160)</b>	<b>(110,160)</b>	<b>63,720</b>	<b>(46,440)</b>

	Company				
	Credited/(Charged)		(Charged)/ Credited		At 31 December 2008
	At 1 January 2007	to Statements of Income/ Equity	At 31 December 2007	to Statements of Income/ Equity	
<b>Deferred tax assets</b>					
Depreciation	18,947	588,840	607,787	(58,647)	549,140
Pensions and employee benefits	296,315	23,570	319,885	31,861	351,746
Tax losses carried forward	-	2,763,941	2,763,941	3,222,431	5,986,372
Deferred gain on sale and leaseback transaction	1,147,688	(1,147,688)	-	-	-
Interest on zero coupon bonds	2,834,337	(2,834,337)	-	-	-
Others	497,846	(391,702)	106,144	(33,801)	72,343
<b>Deferred tax assets</b>	<b>4,795,133</b>	<b>(997,376)</b>	<b>3,797,757</b>	<b>3,161,844</b>	<b>6,959,601</b>
<b>Deferred tax liabilities</b>					
Unrealised gain on available-for-sale financial assets (Note 22b)	-	(110,160)	(110,160)	63,720	(46,440)
<b>Deferred tax liabilities</b>	<b>-</b>	<b>(110,160)</b>	<b>(110,160)</b>	<b>63,720</b>	<b>(46,440)</b>

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable.



## 13 Intangible assets

	Consolidated and Company		
	Computer software	Royalties and licences	Total
<b>At 1 January 2007</b>			
Cost	622,992	735,929	1,358,921
<u>Less: Accumulated amortisation</u>	(273,459)	(490,379)	(763,838)
<b>Net book amount</b>	<b>349,533</b>	<b>245,550</b>	<b>595,083</b>
<b>Year ended 31 December 2007</b>			
Opening net book amount	349,533	245,550	595,083
Additions	-	69,319	69,319
Disposals	(1,744)	-	(1,744)
Amortisation charge	(46,346)	(21,359)	(67,705)
<b>Closing net book amount</b>	<b>301,443</b>	<b>293,510</b>	<b>594,953</b>
<b>At 31 December 2007</b>			
Cost	615,591	805,248	1,420,839
<u>Less: Accumulated amortisation</u>	(314,148)	(511,738)	(825,886)
<b>Net book amount</b>	<b>301,443</b>	<b>293,510</b>	<b>594,953</b>
<b>Year ended 31 December 2008</b>			
Opening net book amount	301,443	293,510	594,953
Reclassification from property, plant and equipment (Note 14)	16,945	-	16,945
Amortisation charge	(46,666)	(23,077)	(69,743)
<b>Closing net book amount</b>	<b>271,722</b>	<b>270,433</b>	<b>542,155</b>
<b>At 31 December 2008</b>			
Cost	632,536	805,248	1,437,784
<u>Less: Accumulated amortisation</u>	(360,814)	(534,815)	(895,629)
<b>Net book amount</b>	<b>271,722</b>	<b>270,433</b>	<b>542,155</b>

All amortization charges are recorded in cost of sales and selling and administrative expenses in the statements of income based on the nature of the asset.

## 14 Property, plant and equipment

	Consolidated			
	Land	Buildings, plant and equipment	Construction in progress	Total
<b>At 1 January 2007</b>				
Cost	5,275,981	50,737,155	331,703	56,344,839
<u>Less: Accumulated depreciation</u>	-	(23,913,411)	-	(23,913,411)
<b>Net book amount</b>	<b>5,275,981</b>	<b>26,823,744</b>	<b>331,703</b>	<b>32,431,428</b>
<b>Year ended 31 December 2007</b>				
Opening net book amount	5,275,981	26,823,744	331,703	32,431,428
Assets acquired through business combination (Note 31)	-	476,876	-	476,876
Additions	-	-	698,776	698,776
Disposals (Note 27)	-	(273,954)	-	(273,954)
Transfers	-	452,500	(452,500)	-
Reversal of remaining deferred gain on sale and leaseback transaction (Note 31)	-	(3,395,044)	-	(3,395,044)
Depreciation charge (Note 24)	-	(1,998,021)	-	(1,998,021)
<b>Closing net book amount</b>	<b>5,275,981</b>	<b>22,086,101</b>	<b>577,979</b>	<b>27,940,061</b>
<b>At 31 December 2007</b>				
Cost	5,275,981	47,533,887	577,979	53,387,847
<u>Less: Accumulated depreciation</u>	-	(25,447,786)	-	(25,447,786)
<b>Net book amount</b>	<b>5,275,981</b>	<b>22,086,101</b>	<b>577,979</b>	<b>27,940,061</b>
<b>Year ended 31 December 2008</b>				
Opening net book amount	5,275,981	22,086,101	577,979	27,940,061
Additions	-	-	1,163,925	1,163,925
Disposals (Note 27)	-	(51,859)	(689)	(52,548)
Transfers	-	875,458	(875,458)	-
Reclassification to intangible assets (Note 13)	-	-	(16,945)	(16,945)
Depreciation charge (Note 24)	-	(1,905,305)	-	(1,905,305)
<b>Closing net book amount</b>	<b>5,275,981</b>	<b>21,004,395</b>	<b>848,812</b>	<b>27,129,188</b>
<b>At 31 December 2008</b>				
Cost	5,275,981	47,923,178	848,812	54,047,971
<u>Less: Accumulated depreciation</u>	-	(26,918,783)	-	(26,918,783)
<b>Net book amount</b>	<b>5,275,981</b>	<b>21,004,395</b>	<b>848,812</b>	<b>27,129,188</b>

	Company			
	Land	Buildings, plant and equipment	Construction in progress	Total
<b>At 1 January 2007</b>				
Cost	675,420	50,371,884	331,703	51,379,007
<u>Less:</u> Accumulated depreciation	-	(23,670,354)	-	(23,670,354)
<b>Net book amount</b>	<b>675,420</b>	<b>26,701,530</b>	<b>331,703</b>	<b>27,708,653</b>
<b>Year ended 31 December 2007</b>				
Opening net book amount	675,420	26,701,530	331,703	27,708,653
Assets acquired through business combination (Note 31)	-	476,876	-	476,876
Additions	-	-	698,776	698,776
Disposals (Note 27)	-	(273,954)	-	(273,954)
Transfer	-	452,500	(452,500)	-
Reversal of remaining deferred gain on sale and leaseback transaction (Note 31)	-	(3,395,044)	-	(3,395,044)
Depreciation charge (Note 24)	-	(1,894,319)	-	(1,894,319)
<b>Closing net book amount</b>	<b>675,420</b>	<b>22,067,589</b>	<b>577,979</b>	<b>23,320,988</b>
<b>At 31 December 2007</b>				
Cost	675,420	47,168,616	577,979	48,422,015
<u>Less:</u> Accumulated depreciation	-	(25,101,027)	-	(25,101,027)
<b>Net book amount</b>	<b>675,420</b>	<b>22,067,589</b>	<b>577,979</b>	<b>23,320,988</b>
<b>Year ended 31 December 2008</b>				
Opening net book amount	675,420	22,067,589	577,979	23,320,988
Additions	-	-	1,163,925	1,163,925
Disposals (Note 27)	-	(51,859)	(689)	(52,548)
Transfers	-	875,458	(875,458)	-
Reclassification to intangible assets (Note 13)	-	-	(16,945)	(16,945)
Depreciation charge (Note 24)	-	(1,887,382)	-	(1,887,382)
<b>Closing net book amount</b>	<b>675,420</b>	<b>21,003,806</b>	<b>848,812</b>	<b>22,528,038</b>
<b>At 31 December 2008</b>				
Cost	675,420	47,557,907	848,812	49,082,139
<u>Less:</u> Accumulated depreciation	-	(26,554,101)	-	(26,554,101)
<b>Net book amount</b>	<b>675,420</b>	<b>21,003,806</b>	<b>848,812</b>	<b>22,528,038</b>

Seven plots of land owned by a subsidiary, with a net book value of Baht 405 million (2007: Baht 405 million) are mortgaged as collateral with the Revenue Department in respect of its income tax liabilities.

As at 31 December 2008, the cost of fully depreciated property, plant and equipment of the Group, and Company, that were still in use amounted to Baht 11,018 million (2007: Baht 11,226 million).

## 15 Prepaid rental and deferred charges

Prepaid rental and deferred charges relate to the long-term portion of rental prepayments on service stations.

## 16 Borrowings

	Consolidated and Company	
	2008	2007
<b>Current</b>		
Bank overdrafts (Note 5)	6,499	-
Bank borrowings	27,965,000	23,710,000
	<b>27,971,499</b>	<b>23,710,000</b>
<b>Non-current</b>		
Bank borrowings	-	11,000,000
	<b>27,971,499</b>	<b>34,710,000</b>

Bank borrowings other than the facilities detailed below are unsecured and bear interest at rates based on prevailing market rates. The interest rates in 2008 ranged between 3%-5% per annum (2007: 3%-5% per annum).

In December 2007, the Company refinanced zero coupon bonds held (Note 33h) with Baht 30,000 million floating interest rate loans. These borrowings were separated into two facilities, namely:

- Facility A of Baht 19,000 million which was due for repayment one year from the original drawdown date of December 2007; and
- Facility B of Baht 11,000 million which is due for repayment in 8 semi-annual installments commencing 6 months after the repayment of Facility A.

The interest rates on these borrowings averaged 4.0% per annum in 2008 (2007: 4.5% per annum).

As of December 31, 2008, the Company had fully repaid Facility A and obtained new financing amounting to Baht 8,000 million in the form of:

- Baht 1,000 million which is due for repayment in June 2009; and
- Baht 7,000 million which is due for repayment in December 2009.

The interest rates on these borrowings are based on floating interest rates which averaged 4.0% per annum in 2008. Furthermore, the Company made a net drawdown of revolving short-term facilities of approximately Baht 4,255 million, primarily to support the on-going operations of the Company.

The carrying amounts of borrowings at each year-ended reasonably reflect their fair values. All borrowings are denominated in Baht and are unsecured.

Largely as a result of the rapid fall in crude oil prices and the Company's use of the first-in first out inventory cost method, the Company's debt service coverage ratio (in particular as defined in a loan agreement with Baht 8,250 million of long term debt outstanding) as of December 31, 2008, fell below the specified thresholds. The Company and the lenders have agreed that this condition is not an event of default. Notwithstanding this fact, on February 5, 2009, the Company obtained consent from its lenders to waive the debt service coverage ratio for the December 31, 2008 determination date with the effect that no future event of default can now arise with respect to this date. In accordance with TAS 35, the Company has re-characterized Baht 8,250 million of the long term debt under the agreement as a current liability on its balance sheet as of December 31, 2008. The Company expects to re-characterize these liabilities as non-current liabilities in the first quarter of 2009.

## 17 Sale and leaseback transaction

In December 2000, the Company entered into an "Asset Acquisition Agreement" and a "Lease Agreement" (the "Agreements") to sell and lease back certain assets with ExxonMobil Chemical (Thailand) Limited ("EMCTL"), a related party. Under the terms of these Agreements, conducted on an arm's length basis at normal commercial terms, the Company sold certain refinery equipment, machinery and other moveable properties ("the Equipment") to EMCTL for an amount of approximately Baht 20,834 million. The selling price represented the fair market value determined by an external appraiser, based on a report dated 19 December 2000. On the same date, the Company leased the Equipment back, under the terms and conditions of the Lease Agreement, for a period of 12 years. The transaction was accounted for as a finance lease. Under the terms of the Lease Agreement, the Company had an option to buy back the Equipment at the end of the Lease Agreement for an amount of Baht 9,494 million.

The gain on disposal, which was the difference between the selling price and carrying amount of the Equipment, amounted to Baht 7,700 million. This gain was deferred and recognised on a straight line basis over the lease period of 12 years.

Following the transfer of EMCTL's business to the Company (Note 31), and termination of the lease in September 2007, there were no assets held under finance leases.

In 2007, a portion of the gain on the sale and leaseback transaction of Baht 431 million was recognised as other non-operating income and interest expense of Baht 1,015 million was recognised in the statement of income. Additionally, a Baht 460 million representing the difference between the termination payment made and the carrying value of the lease payable, was recognised as an offset to interest expense in the 2007 statement of income.

## 18 Trade and other payables

	Consolidated		Company	
	2008	2007	2008	2007
Trade accounts payable	1,354,554	2,131,871	1,282,797	2,072,811
Other tax payable	276,933	623,159	262,972	585,666
Other payables and accruals	706,709	654,865	667,873	603,351
	<b>2,338,196</b>	<b>3,409,895</b>	<b>2,213,642</b>	<b>3,261,828</b>

Other tax payable represents excise tax payable and value added tax payable generated as a result of normal operations.

## 19 Provision for pension and employee benefits

	Consolidated and Company	
	2008	2007
At 1 January	680,968	607,385
Net expense charged to the statements of income	85,057	83,966
Payments to separating employees and retirees	(29,899)	(10,383)
<b>At 31 December</b>	<b>736,126</b>	<b>680,968</b>

## 20 Share capital and premium

	Issued and paid-up share capital			
	Number of Shares (thousands)	Ordinary Shares	Share Premium	Total
1 January 2007	510,000	5,100,000	3,685,554	8,785,554
Issuance of shares	2,100,000	21,000,000	-	21,000,000
Reduction of retained losses	-	(13,222,782)	(3,685,554)	(16,908,336)
At 31 December 2007	2,610,000	12,877,218	-	12,877,218
Issuance of shares	850,858	4,197,963	4,031,711	8,229,674
<b>At 31 December 2008</b>	<b>3,460,858</b>	<b>17,075,181</b>	<b>4,031,711</b>	<b>21,106,892</b>

Further to resolutions passed at an Extraordinary Shareholders' Meeting of the Company on 30 August 2007, the Company undertook the following capital restructuring steps in the order detailed below:

- Decreased the authorised capital from Baht 6,375,000 thousand to Baht 5,100,000 thousand by cancellation of an aggregate number of 127,500 thousand unsold ordinary shares with a par value of Baht 10 per share. The Company registered the capital decrease with the Department of Business Development on 30 August 2007.
- Increased the authorised and issued share capital from Baht 5,100,000 thousand to Baht 26,100,000 thousand by issuance of 2,100,000 thousand ordinary shares with a par value of Baht 10 each. The increase in authorised capital was registered with the Department of Business Development on 31 August 2007. The new shares were offered to the Ministry of Finance and ExxonMobil affiliates and were fully subscribed and paid for. The Company registered the paid-up capital increase with the Department of Business Development on 25 September 2007. This capital injection was made by the Ministry of Finance through a cash payment of Baht 2,625,000 thousand and ExxonMobil affiliates through a cash payment of Baht 14,693,549 thousand and the contribution of net assets of Baht 3,681,450 thousand (Note 31). Following the capital injection the Ministry of Finance and ExxonMobil's shareholding percentages remained unchanged at 12.5% and 87.5%, respectively.
- Decreased the issued and paid-up capital from Baht 26,100,000 thousand to Baht 12,877,218 thousand through a reduction of the par value of the Company's shares from Baht 10 per share to Baht 4.9338 per share. The decrease in paid-up capital, legal reserve and share premium account was applied towards reduction of the retained losses of the Company. The Company registered the resolution to decrease the registered capital with the Department of Business Development on 3 October 2007, and the actual capital decrease was registered and effective on 15 November 2007. There was no change to the number of issued or authorised shares.

Further to resolutions passed at an Extraordinary Shareholders' Meeting of the Company on 29 November 2007, the Company increased the authorised share capital to 3,467,917 thousand shares by authorising 857,917 thousand new ordinary shares with a par value of Baht 4.9338 each. The Company registered the resolution to increase the authorised capital with the Department of Business Development on 11 December 2007.

In April 2008, the Company issued 773,333 thousand ordinary shares through an initial public offering ("IPO") on the Stock Exchange of Thailand ("SET"), with the offer price being Baht 10 per share. The Company registered the additional paid-up share capital with the Ministry of Commerce on 30 April 2008. The shares commenced trading on the SET on 6 May 2008.

On 6 June 2008, the Company issued a further 77,525 thousand ordinary shares under an over allotment option at the offer price of Baht 10 per share. The Company registered the additional paid-up share capital with the Ministry of Commerce on 6 June 2008.

Transaction costs relating to the IPO of Baht 398,436 thousand have been offset with the proceeds from the IPO.

Following completion of the initial public offering, the shareholdings of the Ministry of Finance and ExxonMobil were 7.33% and 65.99%, respectively.

The total authorised number of ordinary shares is 3,467,917 thousand shares (2007: 3,467,917 thousand shares) with a par value of Baht 4.9338 per share. All issued shares are fully paid.

## 21 Dividends

The Company paid the following interim dividends during the year ended 31 December 2008:

- Baht 1 per share on 27 June 2008 pursuant to resolutions passed by the Board of Directors on 29 May 2008; and
- Baht 0.50 per share on 26 September 2008 pursuant to resolutions passed by the Board of Directors on 28 August 2008.

## 22 Other reserves

### (a) Legal reserve

	Consolidated and Company	
	2008	2007
At 1 January	343,997	11,429
Reduction of retained losses	-	(11,429)
Appropriation during the year	-	343,997
<b>At 31 December</b>	<b>343,997</b>	<b>343,997</b>

Under the Public Limited Companies Act B.E. 2535, the Company is required to set aside as a legal reserve at least 5 percent of its net profit after taking into account any accumulated deficit brought forward until the reserve is not less than 10 percent of the registered capital. The legal reserve is non-distributable.

### (b) Fair value reserve

The movements of unrealised gains on available-for-sale financial assets were as follows:

	Consolidated and Company	
	2008	2007
At 1 January	257,040	285,000
Net unrealised loss recognised in equity (Notes 11 and 12)	(148,680)	(27,960)
<b>At 31 December</b>	<b>108,360</b>	<b>257,040</b>

## 23 Sales

	Consolidated		Company	
	2008	2007	2008	2007
Sales of goods	221,716,026	199,408,888	220,372,340	198,123,012
Sales of services	517,512	494,884	623,426	604,626
	<b>222,233,538</b>	<b>199,903,772</b>	<b>220,995,766</b>	<b>198,727,638</b>

## 24 Expenses by nature

	Consolidated		Company	
	2008	2007	2008	2007
Net changes in inventories of finished goods	5,281,669	(2,110,481)	5,327,993	(2,104,168)
Raw materials and consumables used	211,219,403	178,762,217	210,381,279	177,990,314
Depreciation on property, plant and equipment (Note 14)				
- owned assets	1,905,305	1,438,019	1,887,382	1,334,317
- leased assets under finance leases	-	560,002	-	560,002
Transport and distribution	790,018	739,133	789,946	739,133
Research and development	129,155	89,663	129,155	89,663
Operating lease payments	387,384	243,222	421,988	375,294
Employee benefits expense	1,643,554	1,476,306	1,330,773	1,180,373
Utilities	5,810,286	4,625,850	5,717,100	4,530,897
Gain on foreign exchange	(280,238)	(523,629)	(280,238)	(523,629)
Other expenses	4,380,260	3,980,552	4,291,071	3,873,565
<b>Total cost of sales and selling and administrative expenses</b>	<b>231,266,796</b>	<b>189,280,854</b>	<b>229,996,449</b>	<b>188,045,761</b>

## 25 Income tax (credit)/expense

	Consolidated		Company	
	2008	2007	2008	2007
Deferred tax (Note 12)	(3,056,010)	989,122	(3,042,313)	997,376
Current tax	3,282	3,342	31	-
<b>Income tax (credit)/expense</b>	<b>(3,052,728)</b>	<b>992,464</b>	<b>(3,042,282)</b>	<b>997,376</b>



The tax on the Group's, and Company's, profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities, or Company, as follows:

	Consolidated		Company	
	2008	2007	2008	2007
(Loss)/profit before tax	(9,916,480)	8,046,502	(8,361,554)	7,877,314
Tax calculated at domestic tax rates	(2,974,944)	2,413,951	(2,508,466)	2,363,194
Income not subject to tax	(67,956)	(223,749)	(522,728)	(170,384)
Expenses not deductible for tax purposes	12,639	71,487	11,379	72,555
Utilisation of previously unrecognised tax losses	-	(152,128)	-	(150,892)
Utilisation of previously unrecognised zero coupon bond interest	-	(1,800,721)	-	(1,800,721)
Initial recognition of deferred tax assets from business transfer	-	88,481	-	88,481
Difference on inter-company loans from EMCTL	-	(172,908)	-	(172,908)
Restatement of deferred tax assets reflecting refinery repurchase	-	768,051	-	768,051
Capital investment incentive	(22,467)	-	(22,467)	-
<b>Income tax (credit)/expense</b>	<b>(3,052,728)</b>	<b>992,464</b>	<b>(3,042,282)</b>	<b>997,376</b>

The weighted average applicable tax rate was 30% in each year presented.

## 26 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	Consolidated		Company	
	2008	2007	2008	2007
(Loss)/profit attributable to equity holders of the Company	(6,864,581)	7,053,133	(5,319,272)	6,879,938
Weighted average number of ordinary shares in issue (thousands shares)	3,174,051	1,073,836	3,174,051	1,073,836
Basic (loss)/earnings per share (Baht per share)	(2.16)	6.57	(1.68)	6.41

There are no potential ordinary shares in issue during the periods presented, so diluted (loss)/earnings per share are not presented.

## 27 Cash generated from operations

	Consolidated		Company	
	2008	2007	2008	2007
Net (loss)/profit	(6,863,752)	7,054,038	(5,319,272)	6,879,938
Adjustments for:				
Depreciation (Note 14)	1,905,305	1,912,241	1,887,382	1,894,319
Amortisation (Note 13)	69,743	67,705	69,743	67,705
Allowance for impairment of trade receivables (Note 6)	(53,860)	(20,352)	(53,860)	(20,352)
Reversal of impairment provision on investment in an associate (Note 10)	-	-	(1,729,360)	-
Write-down to net realisable value	135,985	-	133,041	-
Loss on disposal of property, plant and equipment	14,952	232,079	14,952	232,079
Amortisation of deferred gain on sale and leaseback transaction (Note 17)	-	(430,581)	-	(430,581)
Share of profit from an associate (Note 10)	(218,061)	(183,880)	-	-
Dividends received from subsidiaries	-	-	-	(6,000)
Interest income	(54,953)	(146,140)	(159,625)	(235,216)
Interest expense	1,243,821	3,447,643	1,333,483	3,549,104
Income tax (credit)/expense (Note 25)	(3,052,728)	992,464	(3,042,282)	997,376
Unrealised exchange gain	(78,433)	(3,775)	(78,433)	(3,775)
Stock dividend	-	(6,000)	-	(6,000)
<b>Changes in working capital (excluding the effects of acquisition)</b>				
Short-term investments	104,809	(21,325)	104,809	(21,325)
Trade receivables	6,333,491	(2,353,537)	6,343,583	(2,353,537)
Trade receivables from a related party	-	-	750,619	(276,871)
Amount due from related parties	(31,353)	2,673,118	(41,612)	2,674,338
Inventories	8,009,222	(4,297,536)	8,062,524	(4,262,647)
Tax claim receivable	2,330,531	576,729	2,350,627	587,733
Other current assets	400,086	(318,474)	418,405	(329,145)
Prepaid rental and deferred charges	111,842	277,977	309,037	426,218
Other non-current assets	(59,653)	5,192	(70,073)	5,332
Trade and other payables	(1,027,085)	164,942	(1,028,137)	163,779
Amount due to related parties	(3,854,377)	(2,946,008)	(3,860,787)	(2,959,234)
Pensions and employee benefits	55,158	42,791	55,158	42,791
Other non-current liabilities	(61,530)	(164,874)	(45,389)	(88,250)
<b>Cash generated from operations</b>	<b>5,359,160</b>	<b>6,554,437</b>	<b>6,404,533</b>	<b>6,527,779</b>

In the cash flow statement, proceeds from sale of property, plant and equipment comprise:

	Consolidated		Company	
	2008	2007	2008	2007
Net book amount (Note 14)	52,548	273,954	52,548	273,954
Loss on disposal of property, plant and equipment	(14,952)	(232,079)	(14,952)	(232,079)
<b>Proceeds from disposal of property, plant and equipment</b>	<b>37,596</b>	<b>41,875</b>	<b>37,596</b>	<b>41,875</b>

#### *Non-cash transactions*

The principal non-cash transaction is the issuance of shares as consideration for the acquisition of the entire business of a related party discussed in Note 31.

## 28 Contingencies

On 24 November 2004, the Company was fined Baht 435,787 thousand in the Southern Bangkok Criminal Court for alleged false declarations relating to imports of lube base stocks in 1986 and 1987. The Company denied the alleged wrongdoing and disagreed with the Court's conclusions. On this basis, the Company appealed the conviction to the Court of Appeal on 14 February 2005. On 16 July 2008, the Court of Appeal confirmed the judgment of the lower court.

Following consultations with external legal counsel management continues to believe strongly in the merit of its defense and, on this basis, appealed the judgment to the Supreme Court on 29 September 2008. The Group, and the Company, have not recorded any provision in respect of the matter in their financial statements.

As at 31 December 2008, the Group had contingent liabilities in respect of bank guarantees arising in the ordinary course of business, amounting to Baht 2,377,077 thousand (2007: Baht 65,019 thousand) to third parties. It is not anticipated that any material liabilities will arise from these bank guarantees.

## 29 Commitments

#### *Capital commitments*

Capital expenditure contracted for at the balance sheet date but not yet incurred amounted to approximately Baht 700 million (2007: nil).

#### *Operating lease commitments - Group company as lessee*

The Group leases various plots of land on which retail service stations are operated under non-cancellable operating lease agreements. The lease terms generally range between 15 and 25 years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Consolidated and Company	
	2008	2007
No later than 1 year	18,758	21,911
Later than 1 year and no later than 5 years	74,044	79,937
Later than 5 years	38,252	59,397
	<b>131,054</b>	<b>161,245</b>

Subsidiaries lease land to the Company, however, there are no future minimum lease payments in respect of such leases which are prepaid (Notes 9 and 15).

## 30 Financial risk management

The Group's activities expose it to a variety of financial risks, which include market risk (including market prices for petroleum commodities risk, foreign exchange risk and interest rate risk), credit risk, liquidity risk, and capital risk.

### 30.1 Market risk

#### (a) Market prices for petroleum commodities risk

The Group's financial results can be significantly affected from time to time by volatility and cyclical nature in the market prices for crude oil, petroleum and petrochemical products that are not predictable. Given its large size and the long-term nature of its business, the Group expects that this risk will be moderated over time. The Group discourages the use of derivative instruments to manage the risk.

#### (b) Foreign exchange risk

The Group's activities are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar. Purchases of goods and export sales are primarily transacted in US Dollars. Domestic sales are transacted predominantly in Baht, and are thus not subject to foreign exchange risk.

As at 31 December 2008, the Group has no short-term or long-term debts denominated in foreign currencies. In 2008, the Group did not enter into any forward foreign currency contracts. The Group's foreign exchange guidelines prohibit speculative foreign exchange transactions.

#### (c) Interest rate risk

As the Group has no significant interest bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The interest rate risk arises from borrowings with those issued at variable interest rates exposing the Group to cash flow interest rate risk. In 2007, the Group refinanced its fixed-rate borrowings to those carrying interest at a variable rate.

### 30.2 Credit risk

Credit risk is managed on a Group basis. Credit risk primarily arises from cash and cash equivalents, and credit exposures to wholesale and retail trade customers, including outstanding receivables and committed transactions. Credit risk in respect of balances outstanding with related parties has been assessed to be low due to the overall strength of the ExxonMobil Group.

In the case of cash and cash equivalents, only independently rated banks with a minimum rating of at least BBB-, or equivalent, are accepted.

For trade customers, risk evaluations are performed internally which include reviews of financial positions, business success indicators, past experience and other factors. Individual risk limits are set based on the resultant internal ratings in accordance with limits set by management. Risk categories are established for individual customers based on internal credit guidelines ranging from very low to very high risk. The risk categories are intended to reflect the risk of payment default by a customer and are similar to the rating scales established by external rating agencies.

### 30.3 Liquidity risk

The Group manages liquidity risk by maintaining sufficient cash and cash equivalent balances. In addition, the Group maintains committed credit facilities as well as a number of uncommitted credit facilities from banks and related parties. The Group reviews requirements for future cash flows through the completion of an annual finance plan review. The finance plan review is completed for the forthcoming year to ensure that estimates of future requirements are analysed such that appropriate facilities can be made available.

The Group continually optimises the mix in its borrowing facilities to maximise financing flexibility whilst minimising financing cost.

The Group currently has adequate financing sources. As of December 31, 2008, the Group has uncommitted facilities of Baht 63,234 million. The Group also received an approval from the Securities and Exchange Commission to offer for sale Baht 8,000 million of bills of exchange in a revolving program.

Liquidity risk may also arise if customers are not able to settle obligations to the Group within the normal credit term. To manage this risk, the Group periodically assesses financial viability of customers and may require certain customers to provide bank guarantees or other similar instruments.

### 30.4 Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders and benefits to other stakeholders. In the future, the Group may adjust the amount of dividend paid to shareholders in order to maintain an appropriate capital structure. Annually, the Group completes a finance plan which seeks to establish positions for the current and future years' dividend projections.

## 31 Business combination

On 6 September 2007, the Company signed a Business Transfer Agreement ("the Agreement") with a company under common control, ExxonMobil Chemical (Thailand) Limited ("EMCTL"), which was involved in the manufacture and sale of chemicals products to both overseas and domestic customers.

Under the terms of the Agreement, the Company accepted the transfer of the entire business including all fixed and other assets, all rights and obligations and all debts and liabilities of EMCTL. Under the terms of the Agreement, the "closing" date of the business transfer was 24 September 2007, however, the economic interests associated with the business transfer, which represents the effective date of the business combination for accounting purposes, were treated as having been transferred as of 1 September 2007.

Prior to the business combination taking place, the Company leased certain refinery equipment from EMCTL and accounted for the leased assets as a finance lease. The business combination resulted in the finance lease arrangement being terminated, with the remaining deferred gain of Baht 3,395 million, reserved against the value of the assets subject to the finance lease (Note 14).

The business combination was accounted for using the purchase method of accounting which required the Company to assess the fair value of assets given, liabilities incurred or assumed and equity instruments issued.

Details of the net assets acquired and the consideration paid are as follows:

Fair value of shares issued (Note 20)	<u>3,681,450</u>
Fair value of net assets acquired	<u>3,681,450</u>

The fair value of the shares issued was based on a variety of valuation techniques including comparable trading multiples and precedent transaction multiples.

The assets and liabilities as of 1 September 2007 arising from the acquisition were as follows:

	Acquiree's carrying amount	Fair value
Cash and cash equivalents	158,261	158,261
Trade receivables	2,968,762	2,968,762
Amounts due from related parties	1,803	1,803
Short-term loans to related parties	333,218	333,218
Inventories	285,866	453,512
Receivables under a finance lease arrangement	16,445,885	15,985,522
Property, plant and equipment (Note 14)	68,161	476,876
Other current and non-current assets	26,077	26,077
Borrowings	(600,000)	(600,000)
Trade and other payables	(78,468)	(78,468)
Amounts due to related parties	(2,357,126)	(2,357,126)
Retirement benefit obligations	(30,792)	(30,792)
Other non-current liabilities	(90,942)	(90,942)
Long-term loans from related parties	(12,988,892)	(13,565,253)
<b>Net assets acquired</b>	<b>4,141,813</b>	<b>3,681,450</b>

The acquired business contributed revenues of Baht 1,833,683 thousand and net profit of Baht 98,893 thousand to the Group for the period from 1 September 2007 to 31 December 2007. If the acquisition had occurred on 1 January 2007, Group revenue would have been Baht 203,180,106 thousand and profit would have been Baht 7,230,557 thousand. These amounts have been calculated using the Group's accounting policies and by adjusting the results of the subsidiary to reflect the additional depreciation and cost of goods sold that would have been charged assuming the fair value adjustments to property, plant and equipment and inventory had applied from 1 January 2007, together with the consequential tax effects.

## 32 Promotional privileges

The Company received promotional privileges from the Board of Investment (BOI) on 16 January 1998 in respect of the construction, and subsequent operation, of an aromatics plant adjacent to the Group's Sri Racha refinery. The plant had a capacity of approximately 350,000 tons per annum of paraxylene, a raw material utilised to produce polyester film, packing resin and fabrics. The Company further expanded the plant capacity to 500,000 tons per annum in 2004. The products produced are sold both domestically and on the export market with sales made through a related company. BOI privileges granted include 100% import duty exemption on certain machinery and equipment, and exemption from corporate income tax for a period of eight years from the date that sales commenced. This income tax holiday expired on 10 September 2007.

The Company's revenue, split between BOI and non-BOI promoted businesses are as follows:

	BOI Promoted	Non-BOI Promoted	Total
<b>Year ended 31 December 2008</b>			
Revenue from domestic activities	11,987,753	177,859,975	189,847,728
Revenue from export activities	1,065,073	30,082,965	31,148,038
	<b>13,052,826</b>	<b>207,942,940</b>	<b>220,995,766</b>
<b>Year ended 31 December 2007</b>			
Revenue from domestic activities	16,004,279	166,293,733	182,298,012
Revenue from export activities	576,129	15,853,497	16,429,626
	<b>16,580,408</b>	<b>182,147,230</b>	<b>198,727,638</b>

### 33 Related party transactions

The Group is controlled by ExxonMobil International Holdings Incorporated, which owns 65.43% and 86.7% of the Company's shares with other companies within the ExxonMobil Group holding 0.56% and 0.8% of the shares as of 31 December 2008 and 2007, respectively. The ultimate holding company is Exxon Mobil Corporation. Both companies are incorporated in the United States of America. A further 7.33% and 12.5% of the shares are held by the Ministry of Finance as of 31 December 2008 and 2007, respectively, with the remaining shares held by a variety of institutional, and retail, investors following completion of the initial public offering as of 31 December 2008.

The following transactions were carried out with related parties:

#### (a) Sales of goods and services

	Consolidated		Company	
	2008	2007	2008	2007
Sales of goods and services:				
- Subsidiaries	-	-	21,706,952	21,623,932
- Other related parties	29,225,224	27,351,608	29,225,224	27,351,608
	<b>29,225,224</b>	<b>27,351,608</b>	<b>50,932,176</b>	<b>48,975,540</b>

Sales of goods and services between related parties are based on market prices and primarily relate to the sale of petroleum and petrochemical products.

#### (b) Purchases of goods and services

	Consolidated		Company	
	2008	2007	2008	2007
Purchases of goods:				
- Other related parties	184,168,045	146,084,654	184,168,045	146,084,654
Purchases of services:				
- An associate	540,218	570,627	540,218	570,627
	<b>184,708,263</b>	<b>146,655,281</b>	<b>184,708,263</b>	<b>146,655,281</b>

Purchases of goods from related parties primarily relate to the purchase of petroleum and petrochemical products. Purchases of services from an associate relate to the provision of pipeline transportation of the Group's products. Purchases of goods and services are based on market prices.

#### (c) Expenses

	Consolidated		Company	
	2008	2007	2008	2007
Expenses paid to:				
- Subsidiaries	-	-	160,241	130,648
- Other related parties	3,160,148	2,270,236	3,103,236	2,217,046
	<b>3,160,148</b>	<b>2,270,236</b>	<b>3,263,477</b>	<b>2,347,694</b>

Expenses primarily relate to the provision of support services and are charged on either at cost or cost plus basis.

#### (d) Finance income and costs

	Consolidated		Company	
	2008	2007	2008	2007
Gain from termination of sale and leaseback transaction:				
- Other related parties	-	460,363	-	460,363
Net gain on redemption of zero coupon bonds:				
- Other related parties	-	590,870	-	590,870
Interest expenses paid to:				
- Subsidiaries	-	-	89,740	101,500
- Other related parties	-	4,111,839	-	4,111,839
	<b>-</b>	<b>4,111,839</b>	<b>89,740</b>	<b>4,213,339</b>

Interest charges are generally based on market rates at the time the relevant agreements were entered.

#### (e) Directors' Remuneration

	Consolidated and Company	
	2008	2007
Salaries and other short-term employment benefits	79,282	63,192
Post-employment benefits	2,567	1,285
	<b>81,849</b>	<b>64,477</b>

#### (f) Year-end balances arising from sales/purchases of goods/services and expenses

	Consolidated		Company	
	2008	2007	2008	2007
Trade receivables:				
- Subsidiary	-	-	464,858	1,215,477
Amounts due from:				
- Subsidiaries	-	-	35,078	24,480
- Other related parties	41,730	10,376	39,142	9,200
	<b>41,730</b>	<b>10,376</b>	<b>74,220</b>	<b>33,680</b>
Amounts due to:				
- Subsidiaries	-	-	13,710	22,678
- Other related parties	3,372,949	7,288,376	3,367,768	7,289,604
	<b>3,372,949</b>	<b>7,288,376</b>	<b>3,381,478</b>	<b>7,312,282</b>

Trade receivables from a related party arise mainly from the sale of petroleum products with credit terms being approximately 30 days. The receivables are unsecured in nature and bear no interest.



Amounts due from related parties relate primarily to interest receivable on short-term and long-term loans (Note 33g).

The amounts due to related parties arise mainly from the purchase of petroleum and petrochemical products and have no fixed repayment term, but are repayable on demand. The payables bear no interest.

#### (g) Loans to related parties

	Consolidated		Company	
	2008	2007	2008	2007
Short-term loans to:				
- Subsidiary	-	-	88,298	-
- Other related parties	194,110	416,559	194,110	416,559
	<u>194,110</u>	<u>416,559</u>	<u>282,408</u>	<u>416,559</u>
Long-term loans to:				
- Subsidiaries	-	-	1,612,415	1,393,598

Movements in short-term loans to other related parties are analysed as follows:

	Consolidated		Company	
	2008	2007	2008	2007
At 1 January	416,559	784,262	416,559	785,142
Additional borrowings	61,738	314,949	150,036	314,949
Repayments of borrowings	(284,187)	(682,652)	(284,187)	(683,532)
<b>At 31 December</b>	<b>194,110</b>	<b>416,559</b>	<b>282,408</b>	<b>416,559</b>

Short-term loans to other related parties are unsecured and have no fixed term of repayment. They bear interest based on the minimum lending rate of the Bangkok Bank Public Company Limited which averaged 7.1% in 2008 (2007: 7.1%).

Movements in long-term loans to subsidiaries are analysed as follows:

	Company	
	2008	2007
At 1 January	1,393,598	1,177,154
Additional borrowings	218,937	219,987
Repayments of borrowings	(120)	(3,543)
<b>At 31 December</b>	<b>1,612,415</b>	<b>1,393,598</b>

Long-term loans to subsidiaries are unsecured. They bear interest based on the minimum lending rate of Bangkok Bank Public Company Limited which averaged 7.1% in 2008 (2007: 7.1%).

#### (h) Loans from related parties

	Consolidated		Company	
	2008	2007	2008	2007
Short-term loans from:				
- Subsidiaries	-	-	915	594,636
Long-term loans from:				
- Subsidiaries	-	-	5,890	6,243

Movements in short-term loans from related parties are analysed as follows:

	Company	
	2008	2007
At 1 January	594,636	588,156
Additional borrowings	750,426	2,401,122
Repayments of borrowings	(1,344,147)	(2,074,988)
Reduction following completion of business combination	-	(319,654)
<b>At 31 December</b>	<b>915</b>	<b>594,636</b>

Movements in long-term loans from related parties are analysed as follows:

	Consolidated		Company	
	2008	2007	2008	2007
At 1 January	-	37,952,778	6,243	37,961,839
Additional borrowings	-	2,930,077	5,332	2,936,320
Borrowings assumed from business combination (Note 31)	-	13,565,253	-	13,565,253
Repayments of borrowings	-	(54,448,108)	(5,685)	(54,457,169)
<b>At 31 December</b>	<b>-</b>	<b>-</b>	<b>5,890</b>	<b>6,243</b>

Long-term loans from related parties bear interest based on the minimum lending rate of Bangkok Bank Public Company Limited which averaged 7.1% in 2008. In 2007, the loans from related parties bear interest based on market rates at the time of inception of the loan which averaged 9.7%.

## 34 Asset retirement obligations

It is recognised that the Group may incur asset retirement obligations for the dismantling and site restoration costs of its manufacturing facilities. The timing and quantum of cash flows is difficult to estimate as the Group has no intention to decommission the sites in the near future. Accordingly, no provision is recorded for asset retirement obligations as the amount cannot be measured with sufficient reliability due to the significant uncertainties involved.



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